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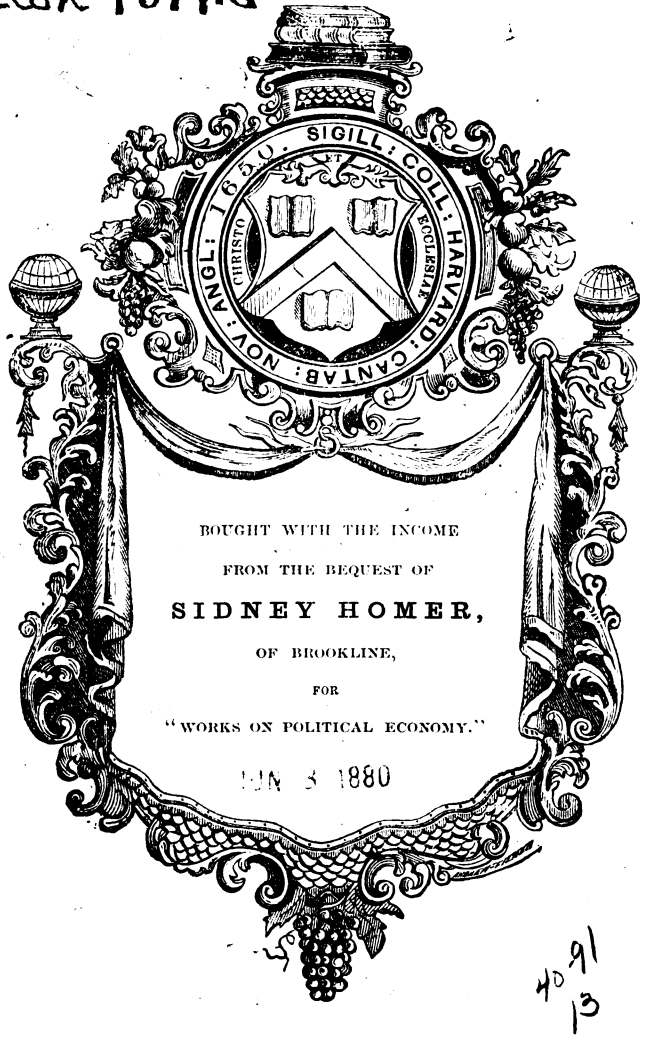

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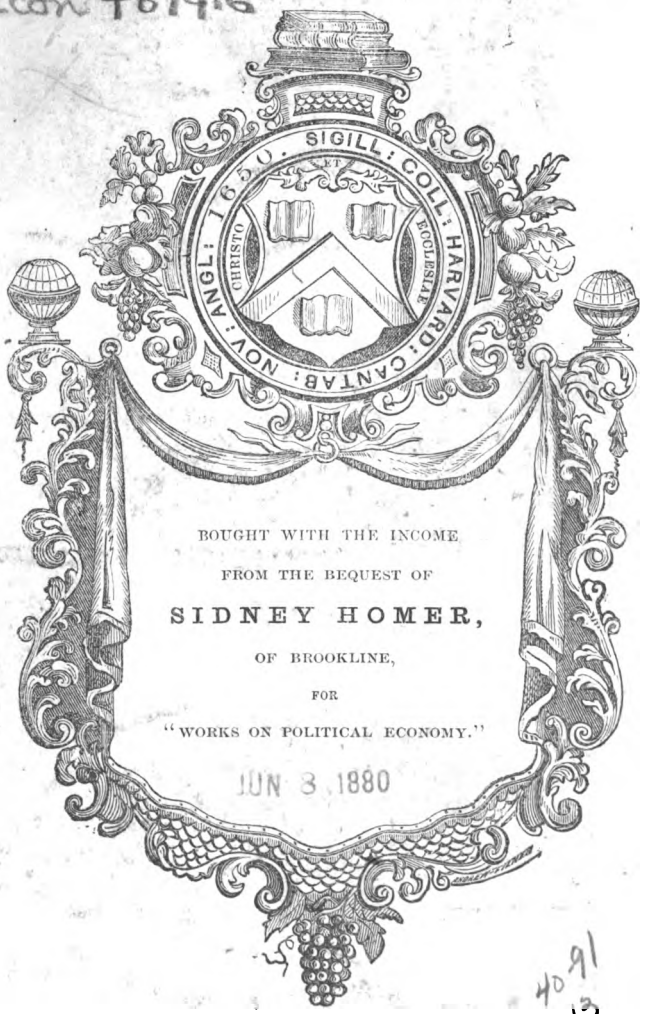

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BANK RATE

IN

ENGLAND, FRANCE, AND GERMANY,

1844—1878.

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COUSINS AND CO., 6, HELMET COURT,
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BANK RATE

IN

ENGLAND, FRANCE, AND GERMANY,

1844—1878.

WITH REMARKS ON THE CAUSES WHICH INFLUENCE THE RATE OF INTEREST CHARGED;

AND

AN ANALYSIS OF THE ACCOUNTS OF THE BANK OF ENGLAND.

BY

R. H. INGLIS PALGRAVE.

"Est igitur humanitatis vestræ magnum eorum civium numerum calamitate prohibere; sapientiæ videre multorum civium calamitatem a republica sejunctam esse non posse."—*Cicero pro Lege Manila.*

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CONTENTS.

PAGE.

CHAPTER I.—Introduction—List of the Returns on which the Analysis of Accounts of Bank of England is Based—Desirablity of greater publicity being given as to Accounts of Bank of England—Less information given now than formerly—Comparison of Rates of Banks of England, France, and Germany (pages 1-5)—Table I. (page 6) Bank of England, General Analysis 1

CHAPTER II.—The Deposits held by the Bank of England, and the Reserve of the Bank of England—Amount of Capital and of Liabilities—Proportion of Reserve to Liabilities—Diminution in Reserve—London Bankers' Balances; their increase—Details of this—Deposits from other Bankers doubtless also held (pages 12-19)—Table II. (page 20) Bank of England—Monthly Averages of Liabilities and Reserve 12

CHAPTER III.—The Balances of the London Bankers with the Bank of England—London Bankers' Balances sometimes larger than the Reserve—Dates when this occurred—Desirability of the Bankers' Balances being shown in the Statements published by the Bank—Table III. (page 35) —Form of weekly statement to show reserve and Liabilities without Bankers' Balances—Bankers' Balances included in Reserve of Bank—They cannot be a Reserve both to the Banks and to the Bank of England—Liabilities of the other Banks—Need of knowledge of what Reserve is kept (pages 33-39) 33

CHAPTER IV.—The Balances of the London Bankers with the Bank of England—How far they form an efficient Reserve—Remarks of Mr. Gibbs on the Bankers' Balances —These rather "Till Money" than Reserve.—How far they cannot be withdrawn from the Bank (pages 40-43)... 40

CHAPTER V.—The published Rate of Discount of the Bank of England—The Change made in 1878 as to the fixed Minimum Rate—This not adhered to now as closely as previously—Line taken by the Bank with regard to relative position to Market Rate in 1844, 1848, 1857, 1878 (pages 44-47)..... 44

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PAGE.

CHAPTER VI.—The published Rate of Discount of the Bank of England and the Reserve—The published Rate of the Bank not so clear a guide to the Market Rate as formerly—Value of Opinion of Bank Directors on fixing the Rate—Need of authoritative Rate—Committee of Bankers and Bill Brokers could fix Rate—Private Banks in London do not publish Rates of Interest allowed on Deposits—Competition for Deposits by Banks undesirable—Fixing the Rate and keeping the Reserve should go together (pages 48-53) 48

CHAPTER VII.—Some of the causes which influence the Rate of Interest charged by the Bank of England—Tables showing the Rate—High Rate in May and November influenced by Scotch demand on account of Note Circulation—Details respecting this—No similar fluctuation in Rates charged by Banks of France and Germany—No corresponding pressure shown in Clearing House Returns—Desirability of diminishing Scotch pressure—Existing Note Issues would be of more service if secured (pages 54-60)—Table IV. Averages of Minimum Rate of Discount—Banks of England, France, and Germany, 1846-77 (page 61)—Table V. Bankers' Clearing House Returns. arranged so as to show when pressure occurs (page 64) ... 54

CHAPTER VIII.—Variations in the Rate charged by the Bank of England from 1844 to 1878—Bank of Engand Rate as guide to Money Market—Number of changes in Bank Rate—Bank of England Rate of Discount charged in each Month, 1844-78, and the Proportion which each Month bears to the Average Rate of the Year—Great difference in the course of business between one year and another—Bank of England Rate of Discount low on average—Proportion of Reserve to Liabilities nearly the same in 1846 as it was in 1875—Times when the Bank of England has not been in harmony with the Market Rate—Augmentation of Bank of England Reserve desirable—The demands which may be made upon it—Need of Raising the Rate frequently to protect the Reserve (pages 66-73) —Table VI. Monthly Averages of minimum Rate of Discount of Bank of England, 1844-78, with proportions which each month bears to the Average Rate of Year (page 74)—Table VII. Changes in Rate of Discount charged by Bank of England, and number of days at each Rate in each year, 1844-78 (page 78) 66

CHAPTER IX.—Variations in the Rate charged by the Bank of France from 1844 to 1878—Mode of Government of Bank of France—Great number of Branches—Difference in business of Banks of England and France—Variations in Rate of Bank of France fewer than those of Bank of England—Comparison of this from 1870 to 1878—Comparison of Rates in 1847, 1857, 1866, and 1878 (pages

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CHAPTER IX.—*Continued*— PAGE.
80-87)—Table VIII. Monthly Average Rate of Discount charged by the Bank of France for 1844-78, with the proportions which each Month bears to the Average of the Year (page 88)—Table IX. Number of changes in the Rate of Discount charged by the Bank of France, and the number of days of each Rate in each year (page 92) 80

CHAPTER X.—Variations in the Rate charged by the Bank of Germany, 1844 to 1878—Bank of Germany, like Bank of France, under control of State—Number of Branches—Rate of Discount has varied less than that of Bank of England—Gold Currency Introduced into Germany in 1872—Greater number of fluctuations in Rate since 1872—Banking more developed in Germany than in France—Comparison of Bills discounted in France and Germany (pages 94-97)—Table X. Monthly Averages of Rate of Bank of Germany, 1844-78, with proportion which each Month Bears to Average Rate of Year (page 98)—Table XI. Change in Rate of Discount charged by Bank of Germany, and number of days at each rate in each Year, 1844-78 (page 102) 94

CHAPTER XI.—Some remarks on the Rate of Discount of the Banks of England, France, and Germany—Comparison of dates during which low Rates prevailed in England and France—Bank of Germany Rate at 3 per Cent. in 1879—Comparison of dates during which high rates prevailed in England, France, and Germany—High Rates charged longest in Germany—Years in which no change took place in Rate of Discount—Variations in Rates of Discount, 1870-1878—Large number of English Bills held abroad—Increasing closeness of connection between Principal Money Markets (pages 103-108)—Table XII. Average Monthly Minimum Rate of Discount—Banks of England, France, and Germany for Years 1845-61, 1862-78, and 1845-78 (page 109)—Table XIII. Rates of Discount, Banks of England, France, and Germany, number of days at each Rate, 1844-78 (page 110)..... 103

CHAPTER XII.—Bills discounted and temporary advances of the Bank of England—Mr. Hankey's remarks as to the manner in which the deposits should be invested—capital, &c., of Bank of England, 17½ Millions—Amount of Railway Debentures held in 1865 about 4 Millions—fluctuations in Bills discounted and very considerable steady increase in temporary advances during last 10 Years—Information on these points no longer supplied—Bank of England requiring a margin of 5 per Cent. on the Securities guaranteed by the Indian Government—Bank of England in same position as any other bank with regard to its private business (pages 111-115)..... 111

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PAGE

CHAPTER XIII.—Note Circulation of the Bank of England and the Bullion held by the Bank—Increase in Note circulation of Bank of England—This rather in circulation in the provinces than in London—Bank of England Note has probably taken the place of Provincial Bankers' Note—Metallic circulation in England—Estimate of composition of circulation of Bank of England Notes—Increase in Notes of £5—Bullion Held by Bank—Silver Bullion held from 1844 to 1853—Particulars of Bullion held (pages 116-119)—Table XIV. Silver Bullion held by Bank of England—Annual Average of 1844-53 (page 118)—Table XV. Composition of Bank of England Note Circulation, 1856-76 (page 120) 116

CHAPTER XIV.—The Proportion which the Reserve of Bank of England bore to Deposits and Bankers' Balances at the Nearest Date of each Change in Rate of Discount—Liabilities of the Bank of England include Bank Post Bills and Gold and Silver Coin, but the influence is small—Proportion of Reserve to Liabilities to three dates of sharp pressure, but Bank Act not infringed—Low Bank Reserve accompanied by a high Rate of Interest (pages 121-123)—Table XVI. Alterations in Bank of England Rate of Discount, 1877-78, with Reserve, &c., at the nearest date to change (page 124)—Table XVII. Proportion of Reserve to Liabilities, and of London Bankers' Balances to the Reserve on the nearest date to every change in the Rate of Discount, 1844-78. Arranged according to date when changes occurred (page 125)—Table XVIII. Proportion of Reserve to Liabilities, and of London Bankers' Balances to the Reserve on the nearest date to every change in the Rate of Discount, 1844-78. Arranged from highest to the lowest Rate (page 131) 121

CHAPTER XV.—Conclusion—Increase in Banking business—Business of country from 1844 to 1878—Influence of course of Foreign Exchanges—The actual Amount—Increased fluctuations of Rate owing to smaller proportional Reserve—Actual amount of money in hand governs the Rate—Need of increasing the "unused" capital in the Country, and of maintenance of adequate Reserve (pages 137-141) 137

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DESCRIPTION OF THE TABLES INCLUDED IN THIS VOLUME.

TABLE I.—BANK OF ENGLAND—Years 1844-78. (Pages 6-11.)

Col. 1. Annual Average of the Liabilities on Deposits (Public and Private) and seven day and other Bills.
Col. 2. Proportion of the Liabilities to the amount in 1844.
Col. 3. Annual Average of Bank Post Bills.
Col. 4. Proportion of Bank Post Bills to the amount in 1844.
Col. 5. Annual Average of the Public Deposits.
Col. 6. Proportion of the Public Deposits to the Amount in 1844.
Col. 7. Annual Average of the Private Deposits.
Col. 8. Proportion of the Private Deposits to the Amount in 1844.
Col. 9. Annual Average of the total Deposits.
Col. 10. Proportion of the total Deposits to the Amount in 1844.
Col. 11. Annual Average of the Balances of the London Bankers with the Bank of England—1844 to 1877.
Col. 12. Proportion of London Bankers' Balances to 1844.
Col. 13. Annual Average of the Reserve of the Bank of England.
Col. 14. Proportion of the Reserve to 1844.
Col. 15. Annual Proportion per Cent. of the Reserve to Liabilities on Deposits and Bank Post Bills.
Col. 16. Proportion which the Reserve would bear to the Liabilities, after deducting the London Bankers' Balances both from the Reserve and the Liabilities—1844 to 1877.
Col. 17. Proportion the Average Annual Balances of the London Bankers have borne to the Reserve of the Bank of England—1844 to 1877.
Col. 18. Annual Average of the Total of "Other" Securities of the Bank of England.
Col. 19. Proportion of "Other" Securities to 1844.
Col. 20. Annual Average of "Other" Securities Held by the Bank of England, after Deducting the Bills Discounted and Temporary Advances—Years 1844 to 1875.
Col. 21. Proportion of "Other" Securities after deducting Bills discounted and temporary advances to the same in 1844—Years 1844 to 1875

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TABLE I.—BANK OF ENGLAND *(continued)* — Years 1844-78. (Pages 6-11.)

Col. 22. Annual Average of Bills Discounted by the Bank of England—Years 1844 to 1875.
Col. 23. Proportion of Bills Discounted to 1844.
Col. 24. Proportion of Bills Discounted to Total of "Other" Securities from 1844 to 1875.
Col. 25. Annual Average of the Temporary Advances — Years 1844 to 1875.
Col. 26. Proportion of Temporary Advances to 1844.
Col. 27. Annual Average of the Provincial Circulation of Bank of England Notes—Years 1844 to 1875.
Col. 28. Proportion per Cent. of Provincial Circulation to total Circulation—Years 1844 to 1875.
Col. 29. Annual Average of the London Circulation of Bank of England Notes—Years 1844 to 1875.
Col. 30. Proportion per Cent. of London Circulation to total Circulation—Years 1844 to 1875.
Col. 31. Annual Average of the total Note Circulation of Bank of England.
Col. 32. Proportion of Total Circulation to 1844.
Col. 33. Annual Average of the Coin and Bullion held.
Col. 34. Proportion of Bullion to 1844.
Col. 35. Proportion per Cent. of Bullion to Liabilities on Deposits and Bank Post Bills.
Col. 36. Proportion per Cent. of Bullion to Circulation.
Col. 37. Proportion per Cent. of Bullion to Liabilities on Deposits, &c., and Circulation combined.
Col. 38. Average Annual Minimum Rate of Discount.

Table II. (Page 20) Contains the Monthly Averages of Liabilities and Reserve of the Bank of England from 1845 to 1878, showing the proportion of Reserve to liabilities each month during the period, and of the Reserve each month to the Average of the Year, with (page 31) the Proportions for the seventeen years, 1845-1861, 1862-1878, and (page 32) for the thirty-four years, 1845-1878, collectively.

Table III. (Page 35) Contains the weekly statement of the Bank of England. Arranged so as to show the Proportion of the Reserve to the Liabilities, after deducting the Balances of the London Bankers from both.

Table IV. (Page 61) Contains the Monthly Averages of Minimum Rate of Discount charged by the Banks of England, France, and Germany for the 8 Years, 1846-53, 1854-61, 1862-69, 1870-77, and for the 16 Years, 1846-61, 1862-77.

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Table V. (Page 64) Contains the Bankers' Clearing House Returns. Arranged so as to show the Amount of Business passing through the Clearing House in each Month of the Year. Years 1868-1878.

Table VI. (Page 74) Contains the Monthly Averages of the Bank of England published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the average Rate of the Year, with (page 77) the average monthly Rate for the Years 1845-1878, collectively.

Table VII. (Page 78) Contains the changes in the Rate of Discount charged by the Bank of England, and the number of days at each Rate in each Year since the Bank Act came into operation in 1844 to 1878.

Table VIII. (Page 88) Contains the Monthly Averages of Bank of France published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the average Rate of the Year, with (page 91) the average Monthly Rate for the Years 1845-1878, collectively.

Table IX. (Page 92) Contains the changes in the Rate of Discount charged by the Bank of France, and the number of days at each Rate in each year from 1844 to 1878.

Table X. (Page 98) Contains the Monthly Averages of Bank of Germany published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the Average Rate of the Year, with (page 101) the Average Monthly Rate for the Years 1845-1878, collectively.

Table XI. (Page 102) Contains the changes in the Rate of Discount charged by the Bank of Germany, and the number of days at each Rate in each year from 1844 to 1878.

Table XII. (Page 109) Contains the Monthly Average minimum Rate of Discount of the Banks of England, France, and Germany, for the seventeen Years, 1845-1861, 1862-1878, and for the thirty-four Years, 1845-1878, collectively.

Table XIII. (Page 110) Contains the Rate of Discount of the Banks of England, France and Germany. The number of days at each Rate, Arranged from the highest number to the lowest, and from the lowest rate to the highest.

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Table XIV. (Page 118) Contains Annual Average of Silver Bullion held by the Bank of England during the years 1844 and 1853, and Proportion of the same to the Gold Bullion and coin held.

Table XV. (Page 120) Contains the composition of Bank of England Note Circulation. Divided according to the denominations of the Notes in hands of the public from 1856 to 1876.

Table XVI. (Page 124) Contains statement of the alterations in the Bank of England Rate of Discount for 1877-78, with the Reserve of the Bank of England, the London Bankers' Balances, and the Clearing House Returns, at the nearest date to each change. (London Bankers' Balances not given for 1878.)

Table XVII. (Page 125) Contains the Proportion of the Reserve of the Bank of England to the Liabilities, on the nearest date given to each change in the Rate of Discount, 1844 to 1878, arranged according to the dates when the changes occurred; and also of the Proportion which the Balances of the London Bankers kept with the Bank of England bore to the Reserve of the Bank itself on those dates.

On some occasions the Total Reserve of the Bank of England has not equalled the Balances of the London Bankers deposited with it. The Proportion of the Reserve to these Balances is given on the occasions when this was the case.

Table XVIII. (Page 131) Contains the proportion of the Reserve of the Bank of England to the liabilities on the nearest date given to each change in the Rate of Interest, 1844 to 1878, arranged from the highest Proportion of Reserve at each change to the lowest; and (page 136) the Averages of the same.

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PREFACE.

THIS volume was originally planned as an investigation into the published accounts of the Bank of England alone, and it is based on the "Analysis of the Accounts of the Bank of England," which I published in 1874. But since that date the connection between the English Money Market and that of Europe generally has been drawn so much more closely together that I felt it needful to carry the inquiry further, and to include some notice of the transactions of the Banks of France and Germany. While, therefore, the analysis of the accounts of the Bank of England previously mentioned has been incorporated in these pages, much has been added, some part of which has appeared, though in a somewhat different form, in the *Economist* and the *Bankers' Magazine*. The accounts of the Bank of England, however, supply the staple of the work.

The amount of the reserve held by the Bank of England is always carefully noted by business men; and the weekly statements are invariably and closely examined as they appear. I have, therefore, thought that an analysis of these accounts might be of service to those who are engaged in business by assisting them in these investigations.

Some Returns published by order of the House of Commons, supply information which is not given in the

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weekly statements. This, in particular, was the case with regard to the balances kept by the London Bankers with the Bank of England to the close of 1877. I have included the information thus furnished in this analysis, as it shows the amount of money held ready to meet the immediate requirements of business.

During the period under consideration the amounts of the balances of the London Bankers largely and progressively increased, as far as this can be traced. It is a matter of regret that the Official Returns no longer enable this point to be ascertained with accuracy. There can be little doubt that a regular publication of the amounts would be of service to the community, and no good reason can be given for this information being withheld. In times when apprehensions prevailed, the knowledge that preparation was being made to meet any difficulties which might occur would of itself tend to allay alarm, and would assist in maintaining that feeling of confidence without which it is impossible that business should be suitably carried on.

The protection of the notes of the Bank of England rather than of the deposits of the Bank, was the object of the Bank Act of 1844. I have no intention in this place to inquire into the policy on which that Act was founded, but to investigate some of the events which have occurred since it was passed. Of late years the amount of the reserve of the Bank of England has on an average increased; but the proportion borne by that reserve to the total liabilities has, on the whole, diminished. The average proportion of reserve to total liabilities was 53 per cent. for the years 1845-53; while for the years 1870-78, it was 44 per cent. The average

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rate of discount, which was 3*l* 4s 10d for the earlier was 3*l* 9s 1d for the later period. Of recent years a greater number of fluctuations in the rate of discount, and, on the whole, a higher rate, has prevailed. Meanwhile a vast increase in the amount of money held by bankers on deposit has taken place. Thus while the available supply of money has increased, there have likewise been far greater fluctuations in its price.

Great instability in the rate of Discount is undoubtedly a very prejudicial thing to the interests of commerce. Such an instability tends to render the results of trade more uncertain than they otherwise would be, and hence introduces an additional element of speculation in transactions where none further is needed. Meanwhile we must bear in mind that while the reserve which the Bank of England keeps is now generally somewhat smaller in proportion to its own liabilities than it was twenty or thirty years since, it is far smaller in proportion to the liabilities of the other banks of the United Kingdom at the present time than at any earlier period. Yet it is to that reserve alone that the other banks must have recourse in any time of pressure. The maintenance of an adequate reserve is a point of primary importance to all interested in banking and in commerce generally, and every endeavour should be made which will conduce to this result.

The Directors of the Bank of England feel, no doubt satisfied that the reserve they maintain is adequate to their own requirements, but it is only needful to glance at the vast amount of Banking Deposits now held to see how entirely inadequate it is when regarded

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as the reserve of all the banks of the Kingdom. Matters have gradually drifted into this position. The arrangement is an anomalous one, but what we are concerned with now is not to discuss the manner in which it has arisen, but to consider how the existing system may be strengthened and improved. The subject is almost beyond the power of any private inquirer, however diligent, however well-informed, to investigate completely; and it certainly appears that it would now be of advantage to the community if an inquiry were made into the whole bearings of the question through the instrumentality of a Government Commission to be appointed for the purpose.

It is quite a doubtful question whether even from the point of view of "profit and loss," the economy of our reserve system has not been carried too far, and whether a system in which a larger reserve was maintained would not be an advantage to the banking as well as to the mercantile community, by tending to mitigate those frequent fluctuations which now constantly characterise our money market. That the cost of the maintenance of such a reserve should fall on the Bank alone appears scarcely equitable; arrangements might, however, be made which would bring every bank in the country into connection with the Bank, and on the basis of which a suitable reserve might be maintained. The closer relations which now exist between the Money Markets of England, Europe generally, and, it should be added, of America, render this subject one of high importance to the stability of business.

R. H. INGLIS PALGRAVE.

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CHAPTER I.

INTRODUCTION.

THE weekly return of the Bank of England is always carefully studied, as supplying much useful information on the position of the money market. The demands likely to be made on the "Reserve," and the proportion held by it to the "Liabilities," form the basis of most of those calculations which are continually being made by those engaged in business as to the probability of a rise or fall in the Bank rate of discount. The form in which the usual statement is made out supplies a great deal of information, but it leaves one or two very important points unnoticed. Returns, however, which have been published by order of the House of Commons, supplement the information on the subject. Of these returns the one marked No. 6 in the Appendix to the Report from the Select (Secret) Committee on Commercial Distress, House of Commons, 1848, may be cited first, as it carries the statement back to the date when the Bank Act came into operation. This return is reprinted, and continued to December, 1856, in the Appendix (No. 13) to the Report from the Select Committee on the Bank Acts, House of Commons, 1857. Subsequent returns continue a consecutive statement, on a uniform plan, from the date of the division of the

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two departments of the Bank of England, in 1844, to the close of 1875, containing particulars which are not included in the ordinary returns, of the total amount of bills discounted, and total amount of temporary advances made by the Bank, and the balances of the London bankers.

The return, however, which was ordered by the House of Commons to be printed 31st May, 1877, giving the statement for the year 1876, while it separates the amounts of the balances of the Exchequer and of the London bankers from the total deposits, does not continue to furnish either the amount of "bills discounted" or of the "temporary advances," which had been uniformly given from 1844 downwards in the previous returns. The corresponding return for 1877 is likewise deficient in the same manner, and in the return for 1878 the London bankers' balances were altogether left out. These omissions are to be regretted, as much in the interest of the Bank of England itself as of the public at large. The discount of bills, and the making temporary advances, are both proper functions of a bank. In the case of the Bank of England it is especially desirable that there should be no uncertainty as to the extent of its operation on these points, as it is mainly in this manner that its control over the outer market is maintained. The full possession of that control, and the power of exercising it rapidly when circumstances render it needful, are essential to the security both of the Bank of England and of the other banks of the country, and it cannot therefore be an unimportant matter that the information which shows the action of the Bank in this respect should now no longer be supplied.

It would also be very valuable if the information given in return No. 8 in the Appendix to the Report from the Select (Secret) Committee on Commercial Distress, House of Commons, 1848, were continued to the present time. This return, which is carried back to the year 1832, through the Appendix to the Report from Select Committees on Banks of Issue, House of Com-

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mons, 1840 and 1841, gives a great deal of very important information as to the working of the Bank of England. It is in no spirit of idle curiosity, with no desire to pry needlessly into the concerns of others, that the continuation of this information is sought. Those who feel, as all concerned in banking business must, that the enormous extension which that business has experienced in this country during the last thirty years, requires every safeguard to be strengthened, must regret that a closer secrecy is now maintained on matters on which more publicity was freely given at previous times when this publicity was less needed. If that information was valuable in 1832, 1844, and 1848, it would be even more valuable now.

Such information, however, as can be obtained from the materials at our command on the history of the working of the money market during the last thirty-four years may be very useful to all who are engaged in commercial pursuits. These years have witnessed a very marvellous extension of the commerce of the country in general; and the extension of banking business has fully kept pace with the increase in other directions. The Parliamentary returns relating to the Bank of England, carried on week by week, contain the record of many important events; but the very length of the returns is a bar to facility in consulting them, or in understanding the many important lessons which may be learned from their pages. It is often a difficult matter, in subjects of this nature, which depend on a vast multitude of details, to arrive at a just appreciation of the exact bearing which these details have on the questions at issue. The number of details, through their very quantity, have a tendency to obscure a distinct view of the case. It is hoped, therefore, that the analysis which follows may be of service by giving a history of the main alterations which have occurred in the position of the Bank of England during the time over which these returns extend, which may enable us to trace out some of the causes which have led to the greatly increased fluctuations which have

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prevailed in the money market during some of the last few years. It should be clearly understood from the outset that the object of this work is neither a controversial investigation into the working of the Act of 1844, nor a critical inquiry into the conduct of the Bank of England. That great institution is, from its position, the acknowledged centre of our banking system; and an analysis of its transactions may enable us to see more clearly the progress of recent events in the financial world. In order to render this clear and readily intelligible, a series of tables has been drawn up. Into these the main points of the work of the Bank of England for the years from 1844 to 1878 have been condensed.

This has been done with the utmost care, and it is hoped that any error of importance has been avoided.

Since I first began to write on this subject, several events have occurred which have introduced very important influences among the money markets of Europe. The limitation in the coinage of silver by the countries forming the Latin Union; the resumption of specie payments in France, and also in the United States; the alteration in the standard of value in Germany from a silver to a gold basis—are all events which could not take place without greatly affecting this country. These events have made it desirable to carry the investigation further than was first proposed. It has not been thought needful to form a complete analysis of the tranactions of the Banks of France and Germany in the same manner as those of the Bank of England. A comparison of the rates of interest charged in the three countries, and the number of the fluctuations in the rates, give what is a sufficient outline for the purpose desired—an outline of the working of the demand and supply of money in the leading countries of Europe for the time under consideration.

Tables relating to the variations in the rate of interest charged by the Banks of France and Germany, drawn up on the same plan as the corresponding tables referring to the Bank of England, have therefore been

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added, and also tables giving the number of the alterations of the rates. These are valuable, as they give an outline of the working of business in those countries; they also supply a comparative view of the movements of the rate of interest in other European centres of business which may enable us the better to understand the influences which are at work on our own.

A description of the tables which form the basis of this analysis precedes this Chapter. The table analysing the accounts of the Bank of England in a series of annual averages follows.

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TABLE I.—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date.	1 Annual Average of Liabilities on Deposits (Public and Private) and Bank Post Bills.	2 Proportion of Liabilities to 1844. 1844=100.	3 Annual Average of Bank Post Bills.	4 Proportion of Bank Post Bills to 1844. 1844=100.	5 Annual Average of Public Deposits.	6 Proportion of Public Deposits to 1844. 1844=100.
	£		£		£	
1844...	14,317,000	*100*	1,017,000	*100*	5,231,000	*100*
1845...	16,367,000	*115*	1,059,000	*104*	5,665,000	*108*
1846...	20,262,000	*142*	938,000	*92*	6,254,000	*120*
1847...	15,973,000	*111*	859,000	*85*	6,446,000	*123*
1848...	15,963,000	*111*	1,000,000	*98*	5,154,000	*99*
1849...	17,211,000	*120*	1,083,000	*107*	6,086,000	*116*
1850...	18,822,000	*131*	1,225,000	*121*	7,772,000	*149*
1851...	17,638,000	*123*	1,159,000	*114*	7,128,000	*136*
1852...	20,149,000	*140*	1,303,000	*128*	6,010,000	*115*
1853...	19,543,000	*136*	1,379,000	*136*	5,682,000	*109*
1854...	15,740,000	*110*	1,083,000	*107*	3,641,000	*70*
1855...	17,698,000	*124*	982,000	*96*	5,005,000	*96*
1856...	16,864,000	*117*	841,000	*83*	4,840,000	*93*
1857...	17,828,000	*124*	771,000	*76*	6,380,000	*122*
1858...	20,847,000	*145*	824,000	*81*	5,884,000	*113*
1859...	22,530,000	*157*	818,000	*81*	7,319,000	*140*
1860...	20,893,000	*145*	729,000	*72*	6,646,000	*127*
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1862...	22,414,000	*156*	720,000	*71*	7,052,000	*135*
1863...	21,946,000	*153*	644,000	*63*	7,327,000	*140*
1864...	20,600,000	*144*	531,000	*52*	6,870,000	*132*
1865...	21,200,000	*148*	493,000	*49*	6,707,000	*128*
1866...	22,603,000	*158*	539,000	*53*	5,318,000	*102*
1867...	26,106,000	*182*	504,000	*50*	6,812,000	*130*
1868...	25,619,000	*179*	544,000	*54*	4,906,000	*94*
1869...	23,713,000	*165*	497,000	*49*	5,129,000	*98*
1870...	26,358,000	*184*	623,000	*61*	7,635,000	*146*
1871...	29,022,000	*202*	629,000	*62*	7,071,000	*135*
1872...	29,268,000	*204*	407,000	*40*	8,875,000	*169*
1873...	28,900,000	*202*	405,000	*40*	9,422,000	*180*
1874...	25,476,000	*178*	378,000	*37*	6,251,000	*120*
1875...	26,768,000	*187*	355,000	*35*	5,223,000	*99*
1876...	30,616,000	*214*	330,000	*32*	6,793,000	*130*
1877...	28,732,000	*200*	320,000	*31*	5,838,000	*112*
1878...	29,077,000	*203*	288,000	*28*	5,560,000	*106*

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

7 Annual Average of Private Deposits.	8 Proportion of Private Deposits to 1844. 1844=100.	9 Annual Average of Total Deposits.	10 Proportion of Total Deposits to 1844. 1844=100.	11 Annual Average of London Bankers' Balances, Included in Private Deposits (Col. 7).	12 Proportion of London Bankers' Balances to 1844. 1844=100.	Date.
£		£		£		
8,069,000	*100*	13,300,000	*100*	977,000	*100*	1844
9,643,000	*120*	15,308,000	*115*	1,256,000	*128*	1845
13,070,000	*161*	19,324,000	*145*	1,558,000	*160*	1846
8,668,000	*107*	15,114,000	*113*	1,467,000	*150*	1847
9,809,000	*122*	14,963,000	*112*	2,359,000	*241*	1848
10,042,000	*124*	16,128,000	*121*	2,131,000	*218*	1849
9,825,000	*122*	17,597,000	*132*	1,656,000	*170*	1850
9,351,000	*116*	16,479,000	*124*	1,666,000	*170*	1851
12,836,000	*158*	18,846,000	*141*	3,184,000	*326*	1852
13,482,000	*167*	19,164,000	*143*	2,259,000	*231*	1853
11,016,000	*136*	14,657,000	*110*	2,692,000	*275*	1854
11,711,000	*145*	16,716,000	*126*	3,065,000	*313*	1855
11,183,000	*139*	16,023,000	*120*	3,032,000	*310*	1856
10,677,000	*133*	17,057,000	*128*	3,274,000	*335*	1857
14,139,000	*175*	20,023,000	*150*	4,639,000	*475*	1858
14,393,000	*178*	21,712,000	*163*	4,256,000	*435*	1859
13,518,000	*167*	20,164,000	*151*	4,283,000	*438*	1860
12,530,000	*155*	17,811,000	*134*	4,185,000	*428*	1861
14,642,000	*181*	21,694,000	*163*	5,030,000	*515*	1862
13,975,000	*173*	21,302,000	*160*	4,726,000	*484*	1863
13,199,000	*164*	20,069,000	*150*	4,899,000	*502*	1864
14,000,000	*173*	20,707,000	*155*	5,038,000	*512*	1865
16,746,000	*207*	22,064,000	*165*	6,259,000	*641*	1866
18,790,000	*233*	25,602,000	*192*	6,689,000	*685*	1867
20,169,000	*250*	25,075,000	*188*	6,801,000	*696*	1868
18,087,000	*224*	23,216,000	*174*	6,479,000	*663*	1869
18,100,000	*224*	25,735,000	*193*	6,618,000	*678*	1870
21,322,000	*264*	28,393,000	*213*	8,390,000	*859*	1871
19,986,000	*248*	28,861,000	*216*	7,609,000	*778*	1872
19,073,000	*236*	28,495,000	*214*	8,586,000	*878*	1873
18,847,000	*233*	25,098,000	*189*	8,341,000	*854*	1874
21,190,000	*263*	26,413,000	*198*	10,324,000	*1055*	1875
23,493,000	*291*	30,286,000	*228*	11,851,000	*1212*	1876
22,574,000	*279*	28,412,000	*213*	9,543,000	*976*	1877
23,229,000	*287*	28,789,000	*216*	—	—	1878

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TABLE I.—BANK OF ENGLAND *(continued)* — Years 1844-78. (Pages 6-11.)

Col. 22. Annual Average of Bills Discounted by the Bank of England—Years 1844 to 1875.
Col. 23. Proportion of Bills Discounted to 1844.
Col. 24. Proportion of Bills Discounted to Total of "Other" Securities from 1844 to 1875.
Col. 25. Annual Average of the Temporary Advances — Years 1844 to 1875.
Col. 26. Proportion of Temporary Advances to 1844.
Col. 27. Annual Average of the Provincial Circulation of Bank of England Notes—Years 1844 to 1875.
Col. 28. Proportion per Cent. of Provincial Circulation to total Circulation—Years 1844 to 1875.
Col. 29. Annual Average of the London Circulation of Bank of England Notes—Years 1844 to 1875.
Col. 30. Proportion per Cent. of London Circulation to total Circulation—Years 1844 to 1875.
Col. 31. Annual Average of the total Note Circulation of Bank of England.
Col. 32. Proportion of Total Circulation to 1844.
Col. 33. Annual Average of the Coin and Bullion held.
Col. 34. Proportion of Bullion to 1844.
Col. 35. Proportion per Cent. of Bullion to Liabilities on Deposits and Bank Post Bills.
Col. 36. Proportion per Cent. of Bullion to Circulation.
Col. 37. Proportion per Cent. of Bullion to Liabilities on Deposits, &c., and Circulation combined.
Col. 38. Average Annual Minimum Rate of Discount.

Table II. (Page 20) Contains the Monthly Averages of Liabilities and Reserve of the Bank of England from 1845 to 1878, showing the proportion of Reserve to liabilities each month during the period, and of the Reserve each month to the Average of the Year, with (page 31) the Proportions for the seventeen years, 1845-1861, 1862-1878, and (page 32) for the thirty-four years, 1845-1878, collectively.

Table III. (Page 35) Contains the weekly statement of the Bank of England. Arranged so as to show the Proportion of the Reserve to the Liabilities, after deducting the Balances of the London Bankers from both.

Table IV. (Page 61) Contains the Monthly Averages of Minimum Rate of Discount charged by the Banks of England, France, and Germany for the 8 Years, 1846-53, 1854-61, 1862-69, 1870-77, and for the 16 Years, 1846-61, 1862-77.

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Table V. (Page 64) Contains the Bankers' Clearing House Returns. Arranged so as to show the Amount of Business passing through the Clearing House in each Month of the Year. Years 1868-1878.

Table VI. (Page 74) Contains the Monthly Averages of the Bank of England published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the average Rate of the Year, with (page 77) the average monthly Rate for the Years 1845-1878, collectively.

Table VII. (Page 78) Contains the changes in the Rate of Discount charged by the Bank of England, and the number of days at each Rate in each Year since the Bank Act came into operation in 1844 to 1878.

Table VIII. (Page 88) Contains the Monthly Averages of Bank of France published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the average Rate of the Year, with (page 91) the average Monthly Rate for the Years 1845-1878, collectively.

Table IX. (Page 92) Contains the changes in the Rate of Discount charged by the Bank of France, and the number of days at each Rate in each year from 1844 to 1878.

Table X. (Page 98) Contains the Monthly Averages of Bank of Germany published minimum Rates of Discount from 1845 to 1878, and the proportion of the Rate charged each Month to the Average Rate of the Year, with (page 101) the Average Monthly Rate for the Years 1845-1878, collectively.

Table XI. (Page 102) Contains the changes in the Rate of Discount charged by the Bank of Germany, and the number of days at each Rate in each year from 1844 to 1878.

Table XII. (Page 109) Contains the Monthly Average minimum Rate of Discount of the Banks of England, France, and Germany, for the seventeen Years, 1845-1861, 1862-1878, and for the thirty-four Years, 1845-1878, collectively.

Table XIII. (Page 110) Contains the Rate of Discount of the Banks of England, France and Germany. The number of days at each Rate, Arranged from the highest number to the lowest, and from the lowest rate to the highest.

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Table XIV. (Page 118) Contains Annual Average of Silver Bullion held by the Bank of England during the years 1844 and 1853, and Proportion of the same to the Gold Bullion and coin held.

Table XV. (Page 120) Contains the composition of Bank of England Note Circulation. Divided according to the denominations of the Notes in hands of the public from 1856 to 1876.

Table XVI. (Page 124) Contains statement of the alterations in the Bank of England Rate of Discount for 1877-78, with the Reserve of the Bank of England, the London Bankers' Balances, and the Clearing House Returns, at the nearest date to each change. (London Bankers' Balances not given for 1878.)

Table XVII. (Page 125) Contains the Proportion of the Reserve of the Bank of England to the Liabilities, on the nearest date given to each change in the Rate of Discount, 1844 to 1878, arranged according to the dates when the changes occurred; and also of the Proportion which the Balances of the London Bankers kept with the Bank of England bore to the Reserve of the Bank itself on those dates.

On some occasions the Total Reserve of the Bank of England has not equalled the Balances of the London Bankers deposited with it. The Proportion of the Reserve to these Balances is given on the occasions when this was the case.

Table XVIII. (Page 131) Contains the proportion of the Reserve of the Bank of England to the liabilities on the nearest date given to each change in the Rate of Interest, 1844 to 1878, arranged from the highest Proportion of Reserve at each change to the lowest; and (page 136) the Averages of the same.

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PREFACE.

THIS volume was originally planned as an investigation into the published accounts of the Bank of England alone, and it is based on the "Analysis of the Accounts of the Bank of England," which I published in 1874. But since that date the connection between the English Money Market and that of Europe generally has been drawn so much more closely together that I felt it needful to carry the inquiry further, and to include some notice of the transactions of the Banks of France and Germany. While, therefore, the analysis of the accounts of the Bank of England previously mentioned has been incorporated in these pages, much has been added, some part of which has appeared, though in a somewhat different form, in the *Economist* and the *Bankers' Magazine*. The accounts of the Bank of England, however, supply the staple of the work.

The amount of the reserve held by the Bank of England is always carefully noted by business men; and the weekly statements are invariably and closely examined as they appear. I have, therefore, thought that an analysis of these accounts might be of service to those who are engaged in business by assisting them in these investigations.

Some Returns published by order of the House of Commons, supply information which is not given in the

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weekly statements. This, in particular, was the case with regard to the balances kept by the London Bankers with the Bank of England to the close of 1877. I have included the information thus furnished in this analysis, as it shows the amount of money held ready to meet the immediate requirements of business.

During the period under consideration the amounts of the balances of the London Bankers largely and progressively increased, as far as this can be traced. It is a matter of regret that the Official Returns no longer enable this point to be ascertained with accuracy. There can be little doubt that a regular publication of the amounts would be of service to the community, and no good reason can be given for this information being withheld. In times when apprehensions prevailed, the knowledge that preparation was being made to meet any difficulties which might occur would of itself tend to allay alarm, and would assist in maintaining that feeling of confidence without which it is impossible that business should be suitably carried on.

The protection of the notes of the Bank of England rather than of the deposits of the Bank, was the object of the Bank Act of 1844. I have no intention in this place to inquire into the policy on which that Act was founded, but to investigate some of the events which have occurred since it was passed. Of late years the amount of the reserve of the Bank of England has on an average increased; but the proportion borne by that reserve to the total liabilities has, on the whole, diminished. The average proportion of reserve to total liabilities was 53 per cent. for the years 1845-53; while for the years 1870-78, it was 44 per cent. The average

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rate of discount, which was 3*l* 4s 10d for the earlier was 3*l* 9s 1d for the later period. Of recent years a greater number of fluctuations in the rate of discount, and, on the whole, a higher rate, has prevailed. Meanwhile a vast increase in the amount of money held by bankers on deposit has taken place. Thus while the available supply of money has increased, there have likewise been far greater fluctuations in its price.

Great instability in the rate of Discount is undoubtedly a very prejudicial thing to the interests of commerce. Such an instability tends to render the results of trade more uncertain than they otherwise would be, and hence introduces an additional element of speculation in transactions where none further is needed. Meanwhile we must bear in mind that while the reserve which the Bank of England keeps is now generally somewhat smaller in proportion to its own liabilities than it was twenty or thirty years since, it is far smaller in proportion to the liabilities of the other banks of the United Kingdom at the present time than at any earlier period. Yet it is to that reserve alone that the other banks must have recourse in any time of pressure. The maintenance of an adequate reserve is a point of primary importance to all interested in banking and in commerce generally, and every endeavour should be made which will conduce to this result.

The Directors of the Bank of England feel, no doubt satisfied that the reserve they maintain is adequate to their own requirements, but it is only needful to glance at the vast amount of Banking Deposits now held to see how entirely inadequate it is when regarded

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as the reserve of all the banks of the Kingdom. Matters have gradually drifted into this position. The arrangement is an anomalous one, but what we are concerned with now is not to discuss the manner in which it has arisen, but to consider how the existing system may be strengthened and improved. The subject is almost beyond the power of any private inquirer, however diligent, however well-informed, to investigate completely; and it certainly appears that it would now be of advantage to the community if an inquiry were made into the whole bearings of the question through the instrumentality of a Government Commission to be appointed for the purpose.

It is quite a doubtful question whether even from the point of view of "profit and loss," the economy of our reserve system has not been carried too far, and whether a system in which a larger reserve was maintained would not be an advantage to the banking as well as to the mercantile community, by tending to mitigate those frequent fluctuations which now constantly characterise our money market. That the cost of the maintenance of such a reserve should fall on the Bank alone appears scarcely equitable; arrangements might, however, be made which would bring every bank in the country into connection with the Bank, and on the basis of which a suitable reserve might be maintained. The closer relations which now exist between the Money Markets of England, Europe generally, and, it should be added, of America, render this subject one of high importance to the stability of business.

R. H. INGLIS PALGRAVE.

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CHAPTER I.

INTRODUCTION.

THE weekly return of the Bank of England is always carefully studied, as supplying much useful information on the position of the money market. The demands likely to be made on the "Reserve," and the proportion held by it to the "Liabilities," form the basis of most of those calculations which are continually being made by those engaged in business as to the probability of a rise or fall in the Bank rate of discount. The form in which the usual statement is made out supplies a great deal of information, but it leaves one or two very important points unnoticed. Returns, however, which have been published by order of the House of Commons, supplement the information on the subject. Of these returns the one marked No. 6 in the Appendix to the Report from the Select (Secret) Committee on Commercial Distress, House of Commons, 1848, may be cited first, as it carries the statement back to the date when the Bank Act came into operation. This return is reprinted, and continued to December, 1856, in the Appendix (No. 13) to the Report from the Select Committee on the Bank Acts, House of Commons, 1857. Subsequent returns continue a consecutive statement, on a uniform plan, from the date of the division of the

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two departments of the Bank of England, in 1844, to the close of 1875, containing particulars which are not included in the ordinary returns, of the total amount of bills discounted, and total amount of temporary advances made by the Bank, and the balances of the London bankers.

The return, however, which was ordered by the House of Commons to be printed 31st May, 1877, giving the statement for the year 1876, while it separates the amounts of the balances of the Exchequer and of the London bankers from the total deposits, does not continue to furnish either the amount of "bills discounted" or of the "temporary advances," which had been uniformly given from 1844 downwards in the previous returns. The corresponding return for 1877 is likewise deficient in the same manner, and in the return for 1878 the London bankers' balances were altogether left out. These omissions are to be regretted, as much in the interest of the Bank of England itself as of the public at large. The discount of bills, and the making temporary advances, are both proper functions of a bank. In the case of the Bank of England it is especially desirable that there should be no uncertainty as to the extent of its operation on these points, as it is mainly in this manner that its control over the outer market is maintained. The full possession of that control, and the power of exercising it rapidly when circumstances render it needful, are essential to the security both of the Bank of England and of the other banks of the country, and it cannot therefore be an unimportant matter that the information which shows the action of the Bank in this respect should now no longer be supplied.

It would also be very valuable if the information given in return No. 8 in the Appendix to the Report from the Select (Secret) Committee on Commercial Distress, House of Commons, 1848, were continued to the present time. This return, which is carried back to the year 1832, through the Appendix to the Report from Select Committees on Banks of Issue, House of Com-

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mons, 1840 and 1841, gives a great deal of very important information as to the working of the Bank of England. It is in no spirit of idle curiosity, with no desire to pry needlessly into the concerns of others, that the continuation of this information is sought. Those who feel, as all concerned in banking business must, that the enormous extension which that business has experienced in this country during the last thirty years, requires every safeguard to be strengthened, must regret that a closer secrecy is now maintained on matters on which more publicity was freely given at previous times when this publicity was less needed. If that information was valuable in 1832, 1844, and 1848, it would be even more valuable now.

Such information, however, as can be obtained from the materials at our command on the history of the working of the money market during the last thirty-four years may be very useful to all who are engaged in commercial pursuits. These years have witnessed a very marvellous extension of the commerce of the country in general; and the extension of banking business has fully kept pace with the increase in other directions. The Parliamentary returns relating to the Bank of England, carried on week by week, contain the record of many important events; but the very length of the returns is a bar to facility in consulting them, or in understanding the many important lessons which may be learned from their pages. It is often a difficult matter, in subjects of this nature, which depend on a vast multitude of details, to arrive at a just appreciation of the exact bearing which these details have on the questions at issue. The number of details, through their very quantity, have a tendency to obscure a distinct view of the case. It is hoped, therefore, that the analysis which follows may be of service by giving a history of the main alterations which have occurred in the position of the Bank of England during the time over which these returns extend, which may enable us to trace out some of the causes which have led to the greatly increased fluctuations which have

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prevailed in the money market during some of the last few years. It should be clearly understood from the outset that the object of this work is neither a controversial investigation into the working of the Act of 1844, nor a critical inquiry into the conduct of the Bank of England. That great institution is, from its position, the acknowledged centre of our banking system; and an analysis of its transactions may enable us to see more clearly the progress of recent events in the financial world. In order to render this clear and readily intelligible, a series of tables has been drawn up. Into these the main points of the work of the Bank of England for the years from 1844 to 1878 have been condensed.

This has been done with the utmost care, and it is hoped that any error of importance has been avoided.

Since I first began to write on this subject, several events have occurred which have introduced very important influences among the money markets of Europe. The limitation in the coinage of silver by the countries forming the Latin Union; the resumption of specie payments in France, and also in the United States; the alteration in the standard of value in Germany from a silver to a gold basis—are all events which could not take place without greatly affecting this country. These events have made it desirable to carry the investigation further than was first proposed. It has not been thought needful to form a complete analysis of the tranactions of the Banks of France and Germany in the same manner as those of the Bank of England. A comparison of the rates of interest charged in the three countries, and the number of the fluctuations in the rates, give what is a sufficient outline for the purpose desired—an outline of the working of the demand and supply of money in the leading countries of Europe for the time under consideration.

Tables relating to the variations in the rate of interest charged by the Banks of France and Germany, drawn up on the same plan as the corresponding tables referring to the Bank of England, have therefore been

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added, and also tables giving the number of the alterations of the rates. These are valuable, as they give an outline of the working of business in those countries; they also supply a comparative view of the movements of the rate of interest in other European centres of business which may enable us the better to understand the influences which are at work on our own.

A description of the tables which form the basis of this analysis precedes this Chapter. The table analysing the accounts of the Bank of England in a series of annual averages follows.

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TABLE I.—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date.	1 Annual Average of Liabilities on Deposits (Public and Private) and Bank Post Bills.	2 Proportion of Liabilities to 1844. 1844=100.	3 Annual Average of Bank Post Bills.	4 Proportion of Bank Post Bills to 1844. 1844=100.	5 Annual Average of Public Deposits.	6 Proportion of Public Deposits to 1844. 1844=100.
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1869...	23,713,000	*165*	497,000	*49*	5,129,000	*98*
1870...	26,358,000	*184*	623,000	*61*	7,635,000	*146*
1871...	29,022,000	*202*	629,000	*62*	7,071,000	*135*
1872...	29,268,000	*204*	407,000	*40*	8,875,000	*169*
1873...	28,900,000	*202*	405,000	*40*	9,422,000	*180*
1874...	25,476,000	*178*	378,000	*37*	6,251,000	*120*
1875...	26,768,000	*187*	355,000	*35*	5,223,000	*99*
1876...	30,616,000	*214*	330,000	*32*	6,793,000	*130*
1877...	28,732,000	*200*	320,000	*31*	5,838,000	*112*
1878...	29,077,000	*203*	288,000	*28*	5,560,000	*106*

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

7 Annual Average of Private Deposits.	8 Proportion of Private Deposits to 1844. 1844=100.	9 Annual Average of Total Deposits.	10 Proportion of Total Deposits to 1844. 1844=100.	11 Annual Average of London Bankers' Balances, Included in Private Deposits (Col. 7).	12 Proportion of London Bankers' Balances to 1844. 1844=100.	Date.
£		£		£		
8,069,000	*100*	13,300,000	*100*	977,000	*100*	1844
9,643,000	*120*	15,308,000	*115*	1,256,000	*128*	1845
13,070,000	*161*	19,324,000	*145*	1,558,000	*160*	1846
8,668,000	*107*	15,114,000	*113*	1,467,000	*150*	1847
9,809,000	*122*	14,963,000	*112*	2,359,000	*241*	1848
10,042,000	*124*	16,128,000	*121*	2,131,000	*218*	1849
9,825,000	*122*	17,597,000	*132*	1,656,000	*170*	1850
9,351,000	*116*	16,479,000	*124*	1,666,000	*170*	1851
12,836,000	*158*	18,846,000	*141*	3,184,000	*326*	1852
13,482,000	*167*	19,164,000	*143*	2,259,000	*231*	1853
11,016,000	*136*	14,657,000	*110*	2,692,000	*275*	1854
11,711,000	*145*	16,716,000	*126*	3,065,000	*313*	1855
11,183,000	*139*	16,023,000	*120*	3,032,000	*310*	1856
10,677,000	*133*	17,057,000	*128*	3,274,000	*335*	1857
14,139,000	*175*	20,023,000	*150*	4,639,000	*475*	1858
14,393,000	*178*	21,712,000	*163*	4,256,000	*435*	1859
13,518,000	*167*	20,164,000	*151*	4,283,000	*438*	1860
12,530,000	*155*	17,811,000	*134*	4,185,000	*428*	1861
14,642,000	*181*	21,694,000	*163*	5,030,000	*515*	1862
13,975,000	*173*	21,302,000	*160*	4,726,000	*484*	1863
13,199,000	*164*	20,069,000	*150*	4,899,000	*502*	1864
14,000,000	*173*	20,707,000	*155*	5,038,000	*512*	1865
16,746,000	*207*	22,064,000	*165*	6,259,000	*641*	1866
18,790,000	*233*	25,602,000	*192*	6,689,000	*685*	1867
20,169,000	*250*	25,075,000	*188*	6,801,000	*696*	1868
18,087,000	*224*	23,216,000	*174*	6,479,000	*663*	1869
18,100,000	*224*	25,735,000	*193*	6,618,000	*678*	1870
21,322,000	*264*	28,393,000	*213*	8,390,000	*859*	1871
19,986,000	*248*	28,861,000	*216*	7,609,000	*778*	1872
19,073,000	*236*	28,495,000	*214*	8,586,000	*878*	1873
18,847,000	*233*	25,098,000	*189*	8,341,000	*854*	1874
21,190,000	*263*	26,413,000	*198*	10,324,000	*1055*	1875
23,493,000	*291*	30,286,000	*228*	11,851,000	*1212*	1876
22,574,000	*279*	28,412,000	*213*	9,543,000	*976*	1877
23,229,000	*287*	28,789,000	*216*	—	—	1878

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TABLE I. *Continued*—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date	13 Annual Average Reserve of Bank of England.	14 Proportion of Reserve to 1844. 1844 = 100.	15 Proportion per Cent. of Reserve to Liabilities on Deposits and Bank PostBills.	16 Proportion per Cent. of Reserve to Liabilities after Deducting Bankers' Balances from Reserve and Liabilities.	17 Proportion per Cent. of London Bankers' Balances to Reserve.	18 Annual Average of Other Securities.	19 Proportion of Other Securities to 1844. 1844 = 100.
	£		%	%	%	£	
1844	8,500,000	*100*	59	56	11	9,472,000	*100*
1845	8,516,000	*100*	52	48	15	12,215,000	*129*
1846	8,539,000	*100*	42	37	18	16,661,000	*176*
1847	5,291,000	*62*	33	26	27	17,241,000	*182*
1848	9,784,000	*115*	61	54	24	11,967,000	*126*
1849	10,694,000	*126*	62	57	20	10,222,000	*108*
1850	11,219,000	*132*	59	55	15	11,048,000	*116*
1851	9,103,000	*107*	52	46	18	12,642,000	*133*
1852	12,764,000	*150*	63	56	25	11,398,000	*120*
1853	8,907,000	*103*	46	38	25	15,086,000	*159*
1854	7,290,000	*86*	46	35	37	14,732,000	*155*
1855	8,366,000	*98*	47	36	37	15,316,000	*162*
1856	5,772,000	*68*	34	19	52	17,067,000	*180*
1857	5,347,000	*63*	30	14	61	20,392,000	*215*
1858	12,037,000	*141*	58	45	39	16,316,000	*172*
1859	11,076,000	*129*	49	37	39	18,196,000	*192*
1860	8,451,000	*99*	40	25	51	20,511,000	*216*
1861	7,611,000	*89*	41	24	55	18,738,000	*198*
1862	10,194,000	*120*	45	29	45	18,987,000	*200*
1863	8,536,000	*100*	39	22	55	20,176,000	*212*
1864	7,478,000	*88*	36	16	66	20,296,000	*214*
1865	8,089,000	*95*	38	19	63	20,568,000	*217*
1866	6,745,000	*79*	30	3	93	22,962,000	*242*
1867	12,906,000	*152*	49	32	52	18,235,000	*192*
1868	11,903,000	*140*	46	27	57	17,647,000	*186*
1869	10,320,000	*121*	43	22	62	16,822,000	*178*
1870	12,435,000	*146*	47	29	53	18,622,000	*197*
1871	14,162,000	*166*	48	28	59	18,803,000	*198*
1872	12,122,000	*141*	41	21	63	21,466,000	*226*
1873	12,051,000	*141*	41	17	71	21,643,000	*229*
1874	11,035,000	*129*	43	15	75	18,487,000	*195*
1875	11,597,000	*136*	43	6	89	19,163,000	*202*
1876	15,962,000	*187*	52	22	74	17,502,000	*185*
1877	12,478,000	*146*	43	15	77	18,861,000	*200*
1878	10,879,000	*127*	37	—	—	20,424,000	*215*

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

20 Annual Average of "Other" Securities after Deducting Bills Discounted and Temporary Advances.	21 Proportion of "Other" Securities after Deducting Bills Discounted and Temporary Advances to the Same in 1844. 1844 = 100.	22 Annual Average of Bills Discounted.	23 Proportion of Bills Discounted to 1844. 1844 = 100.	24 Proportion per Cent. of Bills Discounted to Total of "Other" Securities.	25 Annual Average of Temporary Advances.	26 Proportion of Temporary Advances to 1844. 1844 = 100.	Date
£		£		%	£		
5,467,000	*100*	2,690,000	*100*	28	1,315,000	*100*	1844
5,732,000	*105*	4,680,000	*174*	38	1,803,000	*137*	1845
5,788,000	*106*	9,030,000	*334*	54	1,843,000	*140*	1846
5,803,000	*106*	9,616,000	*357*	56	1,822,000	*139*	1847
6,216,000	*113*	4,289,000	*159*	35	1,462,000	*111*	1848
6,655,000	*122*	2,590,000	*96*	25	977,000	*74*	1849
6,540,000	*119*	2,660,000	*99*	24	1,848,000	*140*	1850
7,004,000	*128*	4,544,000	*169*	36	1,094,000	*83*	1851
7,798,000	*143*	3,020,000	*112*	27	580,000	*44*	1852
8,028,000	*146*	6,137,000	*228*	41	921,000	*70*	1853
8,007,000	*146*	6,086,000	*226*	41	639,000	*48*	1854
8,630,000	*157*	6,004,000	*223*	39	682,000	*52*	1855
8,487,000	*155*	6,700,000	*249*	39	1,880,000	*143*	1856
9,068,000	*166*	9,474,000	*352*	46	1,850,000	*141*	1857
11,101,000	*202*	4,620,000	*172*	28	595,000	*45*	1858
11,648,000	*212*	5,570,000	*207*	30	978,000	*74*	1859
11,078,000	*201*	8,091,000	*301*	39	1,342,000	*102*	1860
11,136,000	*202*	6,586,000	*244*	35	1,016,000	*77*	1861
11,207,000	*205*	6,239,000	*232*	33	1,541,000	*117*	1862
10,546,000	*192*	7,402,000	*275*	37	2,228,000	*169*	1863
9,703,000	*177*	8,600,000	*320*	42	1,993,000	*151*	1864
9,525,000	*174*	8,601,000	*320*	42	2,442,000	*185*	1865
9,778,000	*179*	9,631,000	*358*	42	3,553,000	*270*	1866
10,575,000	*193*	5,846,000	*217*	32	1,814,000	*138*	1867
10,783,000	*197*	5,030,000	*187*	28	1,834,000	*139*	1868
9,165,000	*167*	5,808,000	*216*	34	1,849,000	*140*	1869
8,508,000	*155*	6,418,000	*239*	34	3,696,000	*281*	1870
9,554,000	*174*	6,411,000	*239*	34	2,838,000	*215*	1871
10,622,000	*194*	6,945,000	*258*	32	3,899,000	*296*	1872
10,999,000	*201*	7,737,000	*287*	36	2,907,000	*220*	1873
11,080,000	*201*	4,665,000	*173*	25	2,742,000	*208*	1874
11,429,000	*209*	4,402,000	*164*	23	3,332,000	*253*	1875
—	—	—	—	—	—	—	1876
—	—	—	—	—	—	—	1877
—	—	—	—	—	—	—	1878

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TABLE I. *Continued*—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date	27 Annual Average of Provincial Circulation of Bank of England Notes.	28 Proportion per Cent. of Provincial Circulation to Total Circulation.	29 Annual Average of London Circulation of Bank of England Notes.	30 Proportion per Cent. of London Circulation to Total Circulation.	31 Annual Average of Total Note Circulation of Bank of England.	32 Proportion of Total Circulation to 1844. 1844=100.
	£	%	£	%	£	
1844	6,510,000	32	13,740,000	68	20,250,000	*100*
1845	7,130,000	34	13,544,000	66	20,674,000	*102*
1846	6,770,000	33	13,482,000	67	20,252,000	*100*
1847	6,530,000	34	12,593,000	66	19,123,000	*94*
1848	5,830,000	32	12,256,000	68	18,086,000	*89*
1849	5,900,000	32	12,538,000	68	18,438,000	*91*
1850	6,260,000	32	13,188,000	68	19,448,000	*96*
1851	6,420,000	33	13,040,000	67	19,468,000	*96*
1852	6,940,000	31	14,970,000	69	21,910,000	*108*
1853	7,810,000	34	14,792,000	66	22,602,000	*111*
1854	7,380,000	36	13,308,000	64	20,688,000	*102*
1855	7,040,000	35	12,790,000	65	19,830,000	*98*
1856	6,970,000	35	12,697,000	65	19,667,000	*97*
1857	7,000,000	36	12,467,000	64	19,467,000	*96*
1858	6,880,000	34	13,368,000	66	20,248,000	*100*
1859	7,660,000	36	13,666,000	64	21,326,000	*105*
1860	7,910,000	37	13,342,000	63	21,252,000	*105*
1861	7,390,000	37	12,602,000	63	19,992,000	*99*
1862	7,480,000	36	13,355,000	64	20,835,000	*103*
1863	7,440,000	36	13,224,000	64	20,664,000	*102*
1864	7,570,000	37	13,035,000	63	20,605,000	*102*
1865	7,720,000	36	13,397,000	64	21,117,000	*104*
1866	8,480,000	37	14,679,000	63	23,159,000	*114*
1867	8,610,000	37	14,828,000	63	23,438,000	*116*
1868	8,990,000	38	14,942,000	62	23,932,000	*118*
1869	8,860,000	38	14,623,000	62	23,483,000	*116*
1870	8,830,000	38	14,497,000	62	23,327,000	*115*
1871	9,320,000	38	15,096,000	62	24,416,000	*120*
1872	9,882,000	39	15,641,000	61	25,523,000	*126*
1873	9,999,000	39	15,685,000	61	25,645,000	*126*
1874	10,154,000	38	16,110,000	62	26,264,000	*130*
1875	10,383,000	38	16,963,000	62	27,346,000	*135*
1876	—	—	—	—	27,734,000	*137*
1877	—	—	—	—	27,895,000	*138*
1878	—	—	—	—	28,058,000	*138*

NOTE.—It was notified on the publication of the Return of the Bank of England for the week ending Wednesday, January 8, 1873, that, with regard to the Deposits in the Return then issued, the practice was commenced of placing the Chancery Balances under the head of Government Deposits instead of under that of the ordinary Deposits of the public as heretofore. The average amount is about £1,000,000, and to that extent, therefore, the respective totals have undergone transposition. This must be borne in mind in comparing the amounts of the Private Deposits from 1844 to 1872, and from 1873 onwards.

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

33 Annual Average of Coin and Bullion.	34 Proportion of Bullion to 1844. 1844=100.	35 Proportion per Cent. of Bullion to Liabilities on Deposits and Bank Post Bills.	36 Proportion per Cent. of Bullion to Circulation.	37 Proportion per Cent. of Bullion to Liabilities on Deposits and Circulation Combined.	38 Annual Average of Minimum Rate of Discount.	Date.
£		%	%	%	£ s. d.	
14,664,000	*100*	*	72	42	2 10 0	1844
15,243,000	*104*	93	74	41	2 13 8	1845
14,785,000	*101*	73	73	36	3 6 6	1846
10,428,000	*71*	65	54	30	5 3 6	1847
13,872,000	*95*	87	77	41	3 14 5	1848
15,161,000	*103*	88	82	42	2 18 7	1849
16,636,000	*113*	88	86	43	2 10 1	1850
14,564,000	*99*	82	75	39	3 0 0	1851
20,587,000	*140*	†	94	49	2 3 0	1852
17,516,000	*119*	90	78	41	3 13 10	1853
13,997,000	*95*	89	68	38	5 2 3	1854
14,181,000	*97*	80	71	38	4 17 10	1855
10,932,000	*75*	65	56	30	6 1 2	1856
10,118,000	*69*	57	52	27	6 13 3	1857
17,847,000	*122*	86	88	43	3 4 7	1858
17,928,000	*122*	80	84	41	2 14 7	1859
15,239,000	*104*	73	72	36	4 3 7	1860
13,009,000	*89*	71	65	34	5 5 4	1861
16,380,000	*112*	73	78	38	2 10 7	1862
14,567,000	*99*	66	70	34	4 8 2	1863
13,482,000	*92*	65	65	33	7 8 0	1864
14,546,000	*99*	68	69	34	4 15 4	1865
14,887,000	*101*	65	64	33	6 19 0	1866
21,353,000	*145*	82	91	43	2 10 9	1867
20,838,000	*142*	81	87	42	2 1 11	1868
18,825,000	*128*	79	80	40	3 4 2	1869
20,776,000	*142*	79	89	42	3 2 0	1870
23,588,000	*161*	81	96	44	2 17 8	1871
22,585,000	*154*	77	88	41	4 2 0	1872
22,665,000	*154*	78	88	41	4 15 10	1873
22,294,000	*152*	87	85	43	3 13 10	1874
23,923,000	*163*	90	88	44	3 4 8	1875
28,695,000	*196*	93	‡	49	2 12 1	1876
25,374,000	*173*	88	91	45	2 18 0	1877
23,952,000	*163*	82	85	42	3 15 8	1878

NOTE.—During the years 1844-53 the Bank always held a proportion of Silver Bullion This is included in the amounts given in Col. 33 of this Table. The stock of Silver thus held is shown in Table XIV., page 126.

* Average of Bullion 2½ per cent. more than Liabilities.

† Average of Bullion nearly 1½ per cent. more than Liabilities.

‡ Average of Bullion 3½ per cent. more than Circulation.

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CHAPTER II.

THE DEPOSITS HELD BY THE BANK OF ENGLAND, AND THE RESERVE OF THE BANK OF ENGLAND.

We will now proceed to the examination of the tables, which are drawn up for the purpose of assisting us to form a complete analysis of the accounts of the Bank of England. The Capital of the Bank of England is the largest of any known bank in the world, and amounts to £14,553,000; the Rest, or accumulated and undivided profit, averages about 3 millions more. The total capital available belonging to the Bank, without taking the note issue into consideration, is therefore about 17½ millions. Col. 9 of Table I. contains the yearly average of the total deposits of the Bank of England. Col. 1 contains the yearly average of the total liabilities of the Bank of England on deposits and Bank post bills. From this point of view we need not take the Bank note circulation into account, as that concerns the Issue Department and not the Banking Department of the Bank of England; the only liabilities, therefore, which have to be taken into consideration besides the deposits are the seven-day and other bills. These have declined recently. From averaging more than £1,000,000 in

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1844, they have diminished to less than £300,000 in 1878. In consequence, it will be observed that the amounts in col. 1 do not very greatly differ from those in col. 9, for the last ten or twelve years. To render the statement more clear, a column marked 2 has been added, in which the proportion is given which the amounts of the total liabilities under these heads bore to that in 1844. By looking down these columns we shall see that it has not been till within the last eighteen or twenty years that the average deposits of the Bank have exceeded, or much exceeded, its capital; even at the present date the deposits are only about equal to twice the capital. This is a very unusually strong position for any bank to occupy. The capital of most banks bears generally but a comparatively small proportion to the deposits. In Scotland the proportion has of late years been about one-sixth. In England a proportion of an eighth, or even smaller, is not unusual. The position of the Bank of England, therefore, in this respect is unusually and exceptionally strong. During the time under our notice a very considerable increase in the deposits and liabilities of the Bank has taken place. The liabilities, which averaged about 14½ millions in 1844, averaged more than 29 millions in 1878, having thus doubled in the course of that time; and this growth, as will be seen by a reference to the table, has been gradual and continued. In a similar manner, though not in a like proportion, the average reserve has increased. The annual average of the reserve, with a statement of the proportion each year bears to 1844, will be found in cols. 13 and 14. The average reserve, from being 8½ millions in 1844, has increased to 11 millions in 1878. In col. 15 is given the average proportion of reserve to the liabilities on deposits and Bank post bills. This is generally very considerable. It has been as high as 63 per cent. in 1852; it was as low as 30 per cent. in 1866. It rose in the next year to 49 per cent., and has never averaged less than 41 per cent. since, till 1878, when the proportion was only 37 per cent. In looking down col. 15,

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a distinct, though gradual, diminution in the proportion of the reserve to the liabilities becomes obvious. And it is not only the proportion which has diminished; the character of the demands which may be made upon the reserve has, during the last twenty-five years, undergone a great, though a gradual alteration. This has been caused by the great increase in the balances which other bankers have kept with the Bank of England. The returns on which this analysis is based contain a statement of the balances which the London bankers have kept with the Bank of England. We will now proceed to consider the amounts of these balances, and the proportion which they bear to the banking reserve.

Col. 11 contains the annual average of the London bankers' balances. In these there is a very considerable and progressive increase, far larger than the increase in the reserve itself. That there had been a great increase of late years was a matter of conjecture, but the particulars are not given in the weekly statements; and it is only the annual return which supplies this valuable information. The average amount, which was less than 1 million in 1844, had become more than 9½ millions in 1877, the latest date to which the information can at present be given. By the balances of "the London bankers," it is understood that the balances of "the clearing bankers" are described. There are, therefore, doubtless other amounts than these belonging to bankers, and really forming a portion of the general reserve of bankers in the aggregate on deposit with the Bank. There are now many important banks located in the metropolis, besides the London banks properly so called. There are Scotch banks, Irish banks, colonial banks, foreign banks, all doing large businesses in London, and doubtless keeping corresponding sums of money in reserve. There are also large sums of money doubtless kept with the branches of the Bank of England at Manchester, at Liverpool, and elsewhere, by provincial banks, which often do business on a large scale, quite comparable with that of many London

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banks. These sums are all, properly speaking, "bankers' balances," and the amount being kept for the same purpose, should be included in the same statement. But we can only deal with the figures as stated in the published returns. The increase of the figures is progressive, and proceeds in a far more rapid proportion than the increase of the reserve of the Bank of England itself, or of any other branch of its business. Col. 12 contains the proportion which the balances of the London bankers bore during each year to their amount in 1844, and enables us to follow their fluctuations with facility. In col. 17 the proportion per cent. of the average bankers' balances to the reserve is given. From being only 11 per cent. of the total reserve in 1844, the proportion increased to 93 per cent. in 1866; and, though it has not always remained at that high figure, in 1877 it was 77 per cent. Thus, from being but a small fraction of the reserve in the early years over which the table extends, the amount has increased to being fully three-quarters of the average reserve at the present time. It is the practice of the London banks to keep their principal reserve against immediate demands with the Bank of England, as being the easiest and safest plan. And as their business has extended, so they have also increased the amounts on deposit with the Bank of England. As far as the connection between the two can be traced, it appears that the amounts of the bankers' balances (the bankers' reserves) are somewhat larger now in proportion to their liabilities than they were twenty-five years ago; while the reserve of the Bank of England itself is somewhat smaller. No doubt a very considerable portion of the increase in the balances of the London bankers is due to the necessity of holding larger sums at the Bank of England, consequent on the improvements in the Clearing House system, and the admission of the principal London joint stock banks to that establishment, arranged in the years 1853 and 1854. The effect of those alterations may be traced in the diminution of the metropolitan note circulation of the Bank of England. The circulation, as

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distinguished between that issued in London and the provinces, is given in cols. 27 and 29 of this table. A distinct diminution in the metropolitan circulation is observable at the date just named. And from that date also the proportion borne by the balances of the London bankers to the reserve of the Bank of England, which had not ever previously exceeded 20 per cent. of that reserve, rises, till, as previously mentioned, in recent years it became usually about three-quarters of the reserve.

The enormous amounts which pass through the Clearing House, especially on Stock Exchange "settling days," when totals of 30 millions, 40 millions, and occasionally larger sums still are cleared, leave very large balances to be adjusted through the "clearing bankers'" account with the Bank of England. Due preparation has to be made to meet these balances, and very large amounts are required on these occasions.

What is paid away by one bank, however, in this manner is received by another. The "money" remains equally with the Bank of England, whether it stands to the credit of one bank or of another bank. Taking the amounts held on deposit by the bankers in London into consideration, and the demands which may be made on them on that account, it would appear that the balances which they keep with the Bank of England rather represent what should, with strictest accuracy, be called their "Till Money" than their "Reserve." "Till Money," as every one concerned in business knows, is the amount which every banker is bound to keep close at hand ready to meet the calls of the moment. It is indispensable to the proper conduct of a business, but it cannot be looked on as a "Reserve." A reserve, though equally needed to meet immediate calls, must be on a far larger scale than the mere amount of cash necessarily held in this manner. And taking into consideration, as just mentioned, the vast amounts of deposits with the bankers in London, and the demands which may be made on them at any time, the balances they keep with the Bank of England must be considered

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rather as the cash they need for immediate requirements, transferred for convenience sake to the custody of the Bank of England, than a really available banking reserve.

The growth and development of the London bankers' balances will be more clearly shown if we divide the period from 1846 to 1877, into four groups of eight years each. The averages are then as follows :—

	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of Bankers' Balances to Reserve.
Averages of the years 1846-53	52	21
„ „ 1854-61	43	45
„ „ 1862-69	42	60
„ „ 1870-77	45	70

In the earliest group, the proportion of the reserve was more than half the liabilities. This proportion, it will be seen on the whole, declines, while the proportion which the balances of the London bankers bear to the banking reserve itself, steadily increases. As the balances of the London bankers kept with the Bank of England are included among the total deposits of the Bank, it becomes clear how very considerable a part of the increase of those deposits is due to this source. The general effect may be traced by comparing the amounts in col. 9 with those in col. 11. It might be thought that these deposits are exactly those which are the most certain to diminish in times of pressure, but, on the contrary, they are certain to rise at such a time. Thus they greatly increased during the panics of 1857 and 1866. Between the 4th and the 25th of November, 1857, the bankers' balances increased 2 millions; from £3,400,000 on the 4th November, to £5,400,000 on the 25th November. In 1866, the action of the bankers was more rapid. On the 9th May, 1866, their balances were £5,000,000; by the 16th they had increased nearly 3 millions, the figures being £7,900,000. Beyond doubt, a great portion of these sums had been derived from the Bank of England itself, as the temporary ad-

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TABLE I. *Continued*—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date	13 Annual Average Reserve of Bank of England.	14 Proportion of Reserve to 1844. 1844 = 100.	15 Proportion per Cent. of Reserve to Liabilities on Deposits and Bank PostBills.	16 Proportion per Cent. of Reserve to Liabilities after Deducting Bankers' Balances from Reserve and Liabilities.	17 Proportion per Cent. of London Bankers' Balances to Reserve.	18 Annual Average of Other Securities.	19 Proportion of Other Securities to 1844. 1844 = 100.
	£		%	%	%	£	
1844	8,500,000	*100*	59	56	11	9,472,000	*100*
1845	8,516,000	*100*	52	48	15	12,215,000	*129*
1846	8,539,000	*100*	42	37	18	16,661,000	*176*
1847	5,291,000	*62*	33	26	27	17,241,000	*182*
1848	9,784,000	*115*	61	54	24	11,967,000	*126*
1849	10,694,000	*126*	62	57	20	10,222,000	*108*
1850	11,219,000	*132*	59	55	15	11,048,000	*116*
1851	9,103,000	*107*	52	46	18	12,642,000	*133*
1852	12,764,000	*150*	63	56	25	11,398,000	*120*
1853	8,907,000	*103*	46	38	25	15,086,000	*159*
1854	7,290,000	*86*	46	35	37	14,732,000	*155*
1855	8,366,000	*98*	47	36	37	15,316,000	*162*
1856	5,772,000	*68*	34	19	52	17,067,000	*180*
1857	5,347,000	*63*	30	14	61	20,392,000	*215*
1858	12,037,000	*141*	58	45	39	16,316,000	*172*
1859	11,076,000	*129*	49	37	39	18,196,000	*192*
1860	8,451,000	*99*	40	25	51	20,511,000	*216*
1861	7,611,000	*89*	41	24	55	18,738,000	*198*
1862	10,194,000	*120*	45	29	45	18,987,000	*200*
1863	8,536,000	*100*	39	22	55	20,176,000	*212*
1864	7,478,000	*88*	36	16	66	20,296,000	*214*
1865	8,089,000	*95*	38	19	63	20,568,000	*217*
1866	6,745,000	*79*	30	3	93	22,962,000	*242*
1867	12,906,000	*152*	49	32	52	18,235,000	*192*
1868	11,903,000	*140*	46	27	57	17,647,000	*186*
1869	10,320,000	*121*	43	22	62	16,822,000	*178*
1870	12,435,000	*146*	47	29	53	18,622,000	*197*
1871	14,162,000	*166*	48	28	59	18,803,000	*198*
1872	12,122,000	*141*	41	21	63	21,466,000	*226*
1873	12,051,000	*141*	41	17	71	21,643,000	*229*
1874	11,035,000	*129*	43	15	75	18,487,000	*195*
1875	11,597,000	*136*	43	6	89	19,163,000	*202*
1876	15,962,000	*187*	52	22	74	17,502,000	*185*
1877	12,478,000	*146*	43	15	77	18,861,000	*200*
1878	10,879,000	*127*	37	—	—	20,424,000	*215*

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

20 Annual Average of "Other" Securities after Deducting Bills Discounted and Temporary Advances.	21 Proportion of "Other" Securities after Deducting Bills Discounted and Temporary Advances to the Same in 1844. 1844 = 100.	22 Annual Average of Bills Discounted.	23 Proportion of Bills Discounted to 1844. 1844 = 100.	24 Proportion per Cent. of Bills Discounted to Total of "Other" Securities.	25 Annual Average of Temporary Advances.	26 Proportion of Temporary Advances to 1844. 1844 = 100.	Date
£		£		%	£		
5,467,000	*100*	2,690,000	*100*	28	1,315,000	*100*	1844
5,732,000	*105*	4,680,000	*174*	38	1,803,000	*137*	1845
5,788,000	*106*	9,030,000	*334*	54	1,843,000	*140*	1846
5,803,000	*106*	9,616,000	*357*	56	1,822,000	*139*	1847
6,216,000	*113*	4,289,000	*159*	35	1,462,000	*111*	1848
6,655,000	*122*	2,590,000	*96*	25	977,000	*74*	1849
6,540,000	*119*	2,660,000	*99*	24	1,848,000	*140*	1850
7,004,000	*128*	4,544,000	*169*	36	1,094,000	*83*	1851
7,798,000	*143*	3,020,000	*112*	27	580,000	*44*	1852
8,028,000	*146*	6,137,000	*228*	41	921,000	*70*	1853
8,007,000	*146*	6,086,000	*226*	41	639,000	*48*	1854
8,630,000	*157*	6,004,000	*223*	39	682,000	*52*	1855
8,487,000	*155*	6,700,000	*249*	39	1,880,000	*143*	1856
9,068,000	*166*	9,474,000	*352*	46	1,850,000	*141*	1857
11,101,000	*202*	4,620,000	*172*	28	595,000	*45*	1858
11,648,000	*212*	5,570,000	*207*	30	978,000	*74*	1859
11,078,000	*201*	8,091,000	*301*	39	1,342,000	*102*	1860
11,136,000	*202*	6,586,000	*244*	35	1,016,000	*77*	1861
11,207,000	*205*	6,239,000	*232*	33	1,541,000	*117*	1862
10,546,000	*192*	7,402,000	*275*	37	2,228,000	*169*	1863
9,703,000	*177*	8,600,000	*320*	42	1,993,000	*151*	1864
9,525,000	*174*	8,601,000	*320*	42	2,442,000	*185*	1865
9,778,000	*179*	9,631,000	*358*	42	3,553,000	*270*	1866
10,575,000	*193*	5,846,000	*217*	32	1,814,000	*138*	1867
10,783,000	*197*	5,030,000	*187*	28	1,834,000	*139*	1868
9,165,000	*167*	5,808,000	*216*	34	1,849,000	*140*	1869
8,508,000	*155*	6,418,000	*239*	34	3,696,000	*281*	1870
9,554,000	*174*	6,411,000	*239*	34	2,838,000	*215*	1871
10,622,000	*194*	6,945,000	*258*	32	3,899,000	*296*	1872
10,999,000	*201*	7,737,000	*287*	36	2,907,000	*220*	1873
11,080,000	*201*	4,665,000	*173*	25	2,742,000	*208*	1874
11,429,000	*209*	4,402,000	*164*	23	3,332,000	*253*	1875
—	—	—	—	—	—	—	1876
—	—	—	—	—	—	—	1877
—	—	—	—	—	—	—	1878

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TABLE I. *Continued*—BANK

ANNUAL AVERAGES OF THE TRANSACTIONS OF THE

Date	27 Annual Average of Provincial Circulation of Bank of England Notes.	28 Proportion per Cent. of Provincial Circulation to Total Circulation.	29 Annual Average of London Circulation of Bank of England Notes.	30 Proportion per Cent. of London Circulation to Total Circulation.	31 Annual Average of Total Note Circulation of Bank of England.	32 Proportion of Total Circulation to 1844. 1844=100.
	£	%	£	%	£	
1844	6,510,000	32	13,740,000	68	20,250,000	*100*
1845	7,130,000	34	13,544,000	66	20,674,000	*102*
1846	6,770,000	33	13,482,000	67	20,252,000	*100*
1847	6,530,000	34	12,593,000	66	19,123,000	*94*
1848	5,830,000	32	12,256,000	68	18,086,000	*89*
1849	5,900,000	32	12,538,000	68	18,438,000	*91*
1850	6,260,000	32	13,188,000	68	19,448,000	*96*
1851	6,420,000	33	13,040,000	67	19,468,000	*96*
1852	6,940,000	31	14,970,000	69	21,910,000	*108*
1853	7,810,000	34	14,792,000	66	22,602,000	*111*
1854	7,380,000	36	13,308,000	64	20,688,000	*102*
1855	7,040,000	35	12,790,000	65	19,830,000	*98*
1856	6,970,000	35	12,697,000	65	19,667,000	*97*
1857	7,000,000	36	12,467,000	64	19,467,000	*96*
1858	6,880,000	34	13,368,000	66	20,248,000	*100*
1859	7,660,000	36	13,666,000	64	21,326,000	*105*
1860	7,910,000	37	13,342,000	63	21,252,000	*105*
1861	7,390,000	37	12,602,000	63	19,992,000	*99*
1862	7,480,000	36	13,355,000	64	20,835,000	*103*
1863	7,440,000	36	13,224,000	64	20,664,000	*102*
1864	7,570,000	37	13,035,000	63	20,605,000	*102*
1865	7,720,000	36	13,397,000	64	21,117,000	*104*
1866	8,480,000	37	14,679,000	63	23,159,000	*114*
1867	8,610,000	37	14,828,000	63	23,438,000	*116*
1868	8,990,000	38	14,942,000	62	23,932,000	*118*
1869	8,860,000	38	14,623,000	62	23,483,000	*116*
1870	8,830,000	38	14,497,000	62	23,327,000	*115*
1871	9,320,000	38	15,096,000	62	24,416,000	*120*
1872	9,882,000	39	15,641,000	61	25,523,000	*126*
1873	9,999,000	39	15,685,000	61	25,645,000	*126*
1874	10,154,000	38	16,110,000	62	26,264,000	*130*
1875	10,383,000	38	16,963,000	62	27,346,000	*135*
1876	—	—	—	—	27,734,000	*137*
1877	—	—	—	—	27,895,000	*138*
1878	—	—	—	—	28,058,000	*138*

NOTE.—It was notified on the publication of the Return of the Bank of England for the week ending Wednesday, January 8, 1873, that, with regard to the Deposits in the Return then issued, the practice was commenced of placing the Chancery Balances under the head of Government Deposits instead of under that of the ordinary Deposits of the public as heretofore. The average amount is about £1,000,000, and to that extent, therefore, the respective totals have undergone transposition. This must be borne in mind in comparing the amounts of the Private Deposits from 1844 to 1872, and from 1873 onwards.

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OF ENGLAND.

BANK OF ENGLAND FOR THE YEARS 1844–1878.

33 Annual Average of Coin and Bullion.	34 Proportion of Bullion to 1844. 1844=100.	35 Proportion per Cent. of Bullion to Liabilities on Deposits and Bank Post Bills.	36 Proportion per Cent. of Bullion to Circulation.	37 Proportion per Cent. of Bullion to Liabilities on Deposits and Circulation Combined.	38 Annual Average of Minimum Rate of Discount.	Date.
£		%	%	%	£ s. d.	
14,664,000	*100*	*	72	42	2 10 0	1844
15,243,000	*104*	93	74	41	2 13 8	1845
14,785,000	*101*	73	73	36	3 6 6	1846
10,428,000	*71*	65	54	30	5 3 6	1847
13,872,000	*95*	87	77	41	3 14 5	1848
15,161,000	*103*	88	82	42	2 18 7	1849
16,636,000	*113*	88	86	43	2 10 1	1850
14,564,000	*99*	82	75	39	3 0 0	1851
20,587,000	*140*	†	94	49	2 3 0	1852
17,516,000	*119*	90	78	41	3 13 10	1853
13,997,000	*95*	89	68	38	5 2 3	1854
14,181,000	*97*	80	71	38	4 17 10	1855
10,932,000	*75*	65	56	30	6 1 2	1856
10,118,000	*69*	57	52	27	6 13 3	1857
17,847,000	*122*	86	88	43	3 4 7	1858
17,928,000	*122*	80	84	41	2 14 7	1859
15,239,000	*104*	73	72	36	4 3 7	1860
13,009,000	*89*	71	65	34	5 5 4	1861
16,380,000	*112*	73	78	38	2 10 7	1862
14,567,000	*99*	66	70	34	4 8 2	1863
13,482,000	*92*	65	65	33	7 8 0	1864
14,546,000	*99*	68	69	34	4 15 4	1865
14,887,000	*101*	65	64	33	6 19 0	1866
21,353,000	*145*	82	91	43	2 10 9	1867
20,838,000	*142*	81	87	42	2 1 11	1868
18,825,000	*128*	79	80	40	3 4 2	1869
20,776,000	*142*	79	89	42	3 2 0	1870
23,588,000	*161*	81	96	44	2 17 8	1871
22,585,000	*154*	77	88	41	4 2 0	1872
22,665,000	*154*	78	88	41	4 15 10	1873
22,294,000	*152*	87	85	43	3 13 10	1874
23,923,000	*163*	90	88	44	3 4 8	1875
28,695,000	*196*	93	‡	49	2 12 1	1876
25,374,000	*173*	88	91	45	2 18 0	1877
23,952,000	*163*	82	85	42	3 15 8	1878

NOTE.—During the years 1844-53 the Bank always held a proportion of Silver Bullion This is included in the amounts given in Col. 33 of this Table. The stock of Silver thus held is shown in Table XIV., page 126.

* Average of Bullion 2½ per cent. more than Liabilities.

† Average of Bullion nearly 1½ per cent. more than Liabilities.

‡ Average of Bullion 3½ per cent. more than Circulation.

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CHAPTER II.

THE DEPOSITS HELD BY THE BANK OF ENGLAND, AND THE RESERVE OF THE BANK OF ENGLAND.

We will now proceed to the examination of the tables, which are drawn up for the purpose of assisting us to form a complete analysis of the accounts of the Bank of England. The Capital of the Bank of England is the largest of any known bank in the world, and amounts to £14,553,000; the Rest, or accumulated and undivided profit, averages about 3 millions more. The total capital available belonging to the Bank, without taking the note issue into consideration, is therefore about 17½ millions. Col. 9 of Table I. contains the yearly average of the total deposits of the Bank of England. Col. 1 contains the yearly average of the total liabilities of the Bank of England on deposits and Bank post bills. From this point of view we need not take the Bank note circulation into account, as that concerns the Issue Department and not the Banking Department of the Bank of England; the only liabilities, therefore, which have to be taken into consideration besides the deposits are the seven-day and other bills. These have declined recently. From averaging more than £1,000,000 in

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1844, they have diminished to less than £300,000 in 1878. In consequence, it will be observed that the amounts in col. 1 do not very greatly differ from those in col. 9, for the last ten or twelve years. To render the statement more clear, a column marked 2 has been added, in which the proportion is given which the amounts of the total liabilities under these heads bore to that in 1844. By looking down these columns we shall see that it has not been till within the last eighteen or twenty years that the average deposits of the Bank have exceeded, or much exceeded, its capital; even at the present date the deposits are only about equal to twice the capital. This is a very unusually strong position for any bank to occupy. The capital of most banks bears generally but a comparatively small proportion to the deposits. In Scotland the proportion has of late years been about one-sixth. In England a proportion of an eighth, or even smaller, is not unusual. The position of the Bank of England, therefore, in this respect is unusually and exceptionally strong. During the time under our notice a very considerable increase in the deposits and liabilities of the Bank has taken place. The liabilities, which averaged about 14½ millions in 1844, averaged more than 29 millions in 1878, having thus doubled in the course of that time; and this growth, as will be seen by a reference to the table, has been gradual and continued. In a similar manner, though not in a like proportion, the average reserve has increased. The annual average of the reserve, with a statement of the proportion each year bears to 1844, will be found in cols. 13 and 14. The average reserve, from being 8½ millions in 1844, has increased to 11 millions in 1878. In col. 15 is given the average proportion of reserve to the liabilities on deposits and Bank post bills. This is generally very considerable. It has been as high as 63 per cent. in 1852; it was as low as 30 per cent. in 1866. It rose in the next year to 49 per cent., and has never averaged less than 41 per cent. since, till 1878, when the proportion was only 37 per cent. In looking down col. 15,

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a distinct, though gradual, diminution in the proportion of the reserve to the liabilities becomes obvious. And it is not only the proportion which has diminished; the character of the demands which may be made upon the reserve has, during the last twenty-five years, undergone a great, though a gradual alteration. This has been caused by the great increase in the balances which other bankers have kept with the Bank of England. The returns on which this analysis is based contain a statement of the balances which the London bankers have kept with the Bank of England. We will now proceed to consider the amounts of these balances, and the proportion which they bear to the banking reserve.

Col. 11 contains the annual average of the London bankers' balances. In these there is a very considerable and progressive increase, far larger than the increase in the reserve itself. That there had been a great increase of late years was a matter of conjecture, but the particulars are not given in the weekly statements; and it is only the annual return which supplies this valuable information. The average amount, which was less than 1 million in 1844, had become more than 9½ millions in 1877, the latest date to which the information can at present be given. By the balances of "the London bankers," it is understood that the balances of "the clearing bankers" are described. There are, therefore, doubtless other amounts than these belonging to bankers, and really forming a portion of the general reserve of bankers in the aggregate on deposit with the Bank. There are now many important banks located in the metropolis, besides the London banks properly so called. There are Scotch banks, Irish banks, colonial banks, foreign banks, all doing large businesses in London, and doubtless keeping corresponding sums of money in reserve. There are also large sums of money doubtless kept with the branches of the Bank of England at Manchester, at Liverpool, and elsewhere, by provincial banks, which often do business on a large scale, quite comparable with that of many London

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banks. These sums are all, properly speaking, "bankers' balances," and the amount being kept for the same purpose, should be included in the same statement. But we can only deal with the figures as stated in the published returns. The increase of the figures is progressive, and proceeds in a far more rapid proportion than the increase of the reserve of the Bank of England itself, or of any other branch of its business. Col. 12 contains the proportion which the balances of the London bankers bore during each year to their amount in 1844, and enables us to follow their fluctuations with facility. In col. 17 the proportion per cent. of the average bankers' balances to the reserve is given. From being only 11 per cent. of the total reserve in 1844, the proportion increased to 93 per cent. in 1866; and, though it has not always remained at that high figure, in 1877 it was 77 per cent. Thus, from being but a small fraction of the reserve in the early years over which the table extends, the amount has increased to being fully three-quarters of the average reserve at the present time. It is the practice of the London banks to keep their principal reserve against immediate demands with the Bank of England, as being the easiest and safest plan. And as their business has extended, so they have also increased the amounts on deposit with the Bank of England. As far as the connection between the two can be traced, it appears that the amounts of the bankers' balances (the bankers' reserves) are somewhat larger now in proportion to their liabilities than they were twenty-five years ago; while the reserve of the Bank of England itself is somewhat smaller. No doubt a very considerable portion of the increase in the balances of the London bankers is due to the necessity of holding larger sums at the Bank of England, consequent on the improvements in the Clearing House system, and the admission of the principal London joint stock banks to that establishment, arranged in the years 1853 and 1854. The effect of those alterations may be traced in the diminution of the metropolitan note circulation of the Bank of England. The circulation, as

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distinguished between that issued in London and the provinces, is given in cols. 27 and 29 of this table. A distinct diminution in the metropolitan circulation is observable at the date just named. And from that date also the proportion borne by the balances of the London bankers to the reserve of the Bank of England, which had not ever previously exceeded 20 per cent. of that reserve, rises, till, as previously mentioned, in recent years it became usually about three-quarters of the reserve.

The enormous amounts which pass through the Clearing House, especially on Stock Exchange "settling days," when totals of 30 millions, 40 millions, and occasionally larger sums still are cleared, leave very large balances to be adjusted through the "clearing bankers'" account with the Bank of England. Due preparation has to be made to meet these balances, and very large amounts are required on these occasions.

What is paid away by one bank, however, in this manner is received by another. The "money" remains equally with the Bank of England, whether it stands to the credit of one bank or of another bank. Taking the amounts held on deposit by the bankers in London into consideration, and the demands which may be made on them on that account, it would appear that the balances which they keep with the Bank of England rather represent what should, with strictest accuracy, be called their "Till Money" than their "Reserve." "Till Money," as every one concerned in business knows, is the amount which every banker is bound to keep close at hand ready to meet the calls of the moment. It is indispensable to the proper conduct of a business, but it cannot be looked on as a "Reserve." A reserve, though equally needed to meet immediate calls, must be on a far larger scale than the mere amount of cash necessarily held in this manner. And taking into consideration, as just mentioned, the vast amounts of deposits with the bankers in London, and the demands which may be made on them at any time, the balances they keep with the Bank of England must be considered

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rather as the cash they need for immediate requirements, transferred for convenience sake to the custody of the Bank of England, than a really available banking reserve.

The growth and development of the London bankers' balances will be more clearly shown if we divide the period from 1846 to 1877, into four groups of eight years each. The averages are then as follows :—

	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of Bankers' Balances to Reserve.
Averages of the years 1846-53	52	21
" " 1854-61	43	45
" " 1862-69	42	60
" " 1870-77	45	70

In the earliest group, the proportion of the reserve was more than half the liabilities. This proportion, it will be seen on the whole, declines, while the proportion which the balances of the London bankers bear to the banking reserve itself, steadily increases. As the balances of the London bankers kept with the Bank of England are included among the total deposits of the Bank, it becomes clear how very considerable a part of the increase of those deposits is due to this source. The general effect may be traced by comparing the amounts in col. 9 with those in col. 11. It might be thought that these deposits are exactly those which are the most certain to diminish in times of pressure, but, on the contrary, they are certain to rise at such a time. Thus they greatly increased during the panics of 1857 and 1866. Between the 4th and the 25th of November, 1857, the bankers' balances increased 2 millions; from £3,400,000 on the 4th November, to £5,400,000 on the 25th November. In 1866, the action of the bankers was more rapid. On the 9th May, 1866, their balances were £5,000,000; by the 16th they had increased nearly 3 millions, the figures being £7,900,000. Beyond doubt, a great portion of these sums had been derived from the Bank of England itself, as the temporary ad-

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vances during that time increased nearly 5 millions, and the amount of bills discounted also increased to about the same extent. The reserve of the Bank of England had diminished during the same time, from the 9th to the 16th May, more than 4 millions, from £4,900,000 on the earlier date, to £700,000 on the later. A great portion of that amount had undoubtedly been drawn by the London bankers. The immediate response to the call of necessity speaks very well for the manner in which the reserves of money at short dates were placed, for the prudence with which the banking business of the country generally was carried on, and also for the liberality shown by the Bank at a period of great national peril.

A more recent instance of the manner in which the balances of the London bankers become augmented in any time of anxiety was shown in the year 1875. On May 31st in that year the failure of Messrs. Sanderson and Co., the Discount Brokers, of Lombard Street, was announced simultaneously with that of the Aberdare and Plymouth Iron Companies, some anxiety having existed for a short time previous; and on June 15th the bankruptcy of Messrs. A. Collie and Co. took place, accompanied with the downfall of a host of minor traders who were involved in their ruin.

The influence of these events on the balances of the London bankers was very remarkable. The particulars are as follows :—

BALANCES OF LONDON BANKERS WITH BANK OF ENGLAND.

1875.	£
May 5	7,072,000
12	8,346,000
19	7,274,000
26	10,017,000
June 2	11,857,000
9	10,497,000
16	9,902,000
23	12,399,000

A very great rise also took place in the "other" deposits of the Bank of England in October, 1878. On the 2nd of that month the stoppage of the City of Glasgow Bank was announced. The movement in the

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"other" deposits of the Bank, consequent on this event, was as follows :—

OTHER DEPOSITS OF THE BANK OF ENGLAND.

1878.	£
September 25	20,087,459
October 2	21,938,505
9	25,967,071
16	27,321,433
23	27,859,388

A large portion of this increase was attributed at the time to the bankers' accounts. Certain information at the moment would have been very valuable, as tending to allay needless alarm. Suitable precautions against danger sometimes prevent that danger from taking place, and on such occasions it is very desirable that the extent of the precautions taken should be known.

A table follows this chapter, giving the averages of the liabilities in the Banking Department and the reserve of the Bank of England, month by month, for the years 1844-1878. On an average, it will be seen that the liabilities have been during that period at their lowest point in the month of November, and that the proportion of the reserve to the liabilities has been at the lowest point during the months of October and December. The proportions of the monthly fluctuations during each year are also interesting. They retrace to a great extent the financial history of each year.

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TABLE II.—Monthly Averages of Liabilities and Reserve of Bank of England from 1845 to 1878, Showing the Proportion of Reserve to Liabilities.

1845.

	Liabilities, Average of Year, £16,367,500.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,516,583.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 52 per Cent.
	£		£		
January	13,989,000	*85*	8,400,000	*99*	*60*
February	14,734,000	*90*	8,991,000	*106*	*61*
March	17,769,000	*109*	10,219,000	*120*	*57*
April	16,526,000	*101*	8,958,000	*105*	*54*
May	15,574,000	*95*	9,294,000	*109*	*60*
June	17,890,000	*109*	10,352,000	*122*	*58*
July	15,984,000	*98*	8,814,000	*103*	*55*
August.....	15,297,000	*93*	8,323,000	*98*	*54*
September ...	16,957,000	*103*	8,795,000	*103*	*52*
October	16,523,000	*101*	6,767,000	*79*	*41*
November ...	16,397,000	*100*	6,182,000	*73*	*38*
December ...	18,770,000	*115*	7,104,000	*83*	*38*

1846.

	Liabilities, Average of Year, £20,262,416.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,539,416.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 42 per Cent.
	£		£		
January	18,927,000	*93*	6,243,000	*73*	*33*
February	25,184,000	*124*	7,390,000	*87*	*29*
March	25,274,000	*125*	8,462,000	*99*	*34*
April	22,644,000	*112*	7,371,000	*86*	*33*
May	21,201,000	*104*	7,986,000	*94*	*38*
June	23,146,000	*114*	9,906,000	*117*	*43*
July	20,229,000	*100*	9,229,000	*108*	*46*
August.....	17,894,000	*88*	9,619,000	*113*	*54*
September ...	17,721,000	*87*	10,201,000	*119*	*58*
October	16,480,000	*81*	8,186,000	*96*	*50*
November ...	16,168,000	*80*	8,491,000	*100*	*53*
December ...	18,281,000	*90*	9,389,000	*110*	*51*

1847.

	Liabilities, Average of Year, £15,973,250.	Average Liabilities of Year = 100.	Reserve, Average of Year, £5,291,583.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 33 per Cent.
	£		£		
January	16,566,000	*103*	7,387,000	*140*	*45*
February	15,486,000	*97*	6,673,000	*126*	*43*
March	16,972,000	*106*	6,067,000	*114*	*36*
April	15,062,000	*94*	3,581,000	*68*	*24*
May	14,072,000	*88*	4,587,000	*87*	*32*
June	17,774,000	*111*	6,263,000	*118*	*35*
July	15,052,000	*94*	5,033,000	*95*	*33*
August.....	14,654,000	*91*	4,803,000	*91*	*33*
September ...	16,455,000	*103*	4,869,000	*92*	*30*
October	16,011,000	*100*	2,780,000	*53*	*17*
November ...	15,683,000	*98*	3,956,000	*75*	*25*
December ...	17,792,000	*111*	7,500,000	*142*	*42*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1848.

	Liabilities, Average of Year, £15,963,333.	Average Liabilities of Year = 100.	Reserve, Average of Year, £9,784,583.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 61 per Cent.
	£		£		
January	16,593,000	*104*	8,107,000	*83*	*49*
February	16,378,000	*103*	9,859,000	*101*	*60*
March	17,303,000	*108*	11,286,000	*115*	*65*
April	16,098,000	*101*	9,563,000	*98*	*59*
May	14,433,000	*90*	8,988,000	*92*	*62*
June	15,914,000	*100*	10,400,000	*106*	*65*
July	15,628,000	*98*	9,557,000	*98*	*61*
August.....	14,297,000	*89*	9,086,000	*93*	*63*
September ...	15,731,000	*99*	10,010,000	*102*	*63*
October	15,393,000	*96*	9,038,000	*92*	*59*
November.....	15,842,000	*99*	9,820,000	*100*	*62*
December	17,950,000	*112*	11,701,000	*120*	*65*

1849.

	Liabilities, Average of Year, £17,211,583.	Average Liabilities of Year = 100.	Reserve, Average of Year, £10,694,250.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 62 per Cent.
	£		£		
January	17,066,000	*99*	10,807,000	*101*	*63*
February	16,808,000	*97*	10,885,000	*102*	*65*
March	17,830,000	*103*	11,346,000	*106*	*64*
April	16,574,000	*96*	9,749,000	*91*	*59*
May	15,893,000	*92*	9,495,000	*89*	*60*
June	17,217,000	*100*	10,818,000	*101*	*63*
July	15,890,000	*92*	9,546,000	*89*	*60*
August.....	15,954,000	*93*	9,753,000	*91*	*61*
September ...	17,809,000	*103*	11,013,000	*103*	*62*
October	17,497,000	*102*	10,472,000	*98*	*60*
November.....	17,846,000	*104*	11,559,000	*108*	*65*
December	20,155,000	*117*	12,888,000	*120*	*64*

1850.

	Liabilities, Average of Year, £18,822,083.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,219,750.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 60 per Cent.
	£		£		
January	18,710,000	*99*	11,763,000	*105*	*63*
February	17,920,000	*95*	11,688,000	*104*	*65*
March	19,698,000	*104*	12,195,000	*109*	*62*
April	17,733,000	*94*	10,729,000	*95*	*60*
May	17,367,000	*92*	10,988,000	*98*	*63*
June	19,185,000	*102*	11,695,000	*104*	*61*
July	17,911,000	*95*	10,601,000	*94*	*59*
August.....	17,948,000	*96*	10,822,000	*96*	*60*
September.....	20,112,000	*107*	11,600,000	*103*	*58*
October	18,888,000	*100*	10,504,000	*93*	*56*
November.....	19,402,000	*103*	11,045,000	*98*	*57*
December	20,911,000	*111*	11,007,000	*98*	*52*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1851.

	Liabilities, Average of Year, £17,638,583.	Average Liabilities of Year = 100.	Reserve, Average of Year, £9,103,833.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities 51 per Cent.
	£		£		
January	18,854,000	*107*	9,017,000	*99*	*48*
February	17,551,000	*99*	9,276,000	*102*	*53*
March	18,671,000	*106*	9,498,000	*104*	*51*
April	16,534,000	*94*	7,850,000	*86*	*47*
May	16,181,000	*92*	8,093,000	*89*	*50*
June	18,167,000	*103*	9,029,000	*99*	*50*
July	16,007,000	*91*	7,755,000	*85*	*48*
August.....	16,241,000	*92*	8,105,000	*89*	*50*
September ...	18,438,000	*104*	9,456,000	*104*	*51*
October	18,251,000	*103*	8,981,000	*99*	*49*
November ...	17,411,000	*99*	9,929,000	*109*	*57*
December ...	19,357,000	*110*	12,257,000	*135*	*63*

1852.

	Liabilities, Average of Year, £20,149,000.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,764,500.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 63 per Cent.
	£		£		
January	18,497,000	*92*	11,401,000	*89*	*61*
February	19,112,000	*95*	12,324,000	*97*	*65*
March	20,598,000	*102*	13,510,000	*106*	*66*
April	19,238,000	*95*	12,135,000	*95*	*63*
May	19,403,000	*96*	12,691,000	*99*	*65*
June	21,060,000	*104*	13,938,000	*109*	*66*
July	20,118,000	*100*	12,823,000	*100*	*64*
August.....	19,716,000	*98*	12,953,000	*101*	*66*
September ...	21,151,000	*105*	13,765,000	*108*	*65*
October	20,357,000	*101*	12,443,000	*97*	*61*
November ...	20,204,000	*100*	12,318,000	*96*	*61*
December ...	22,334,000	*111*	12,873,000	*101*	*58*

1853.

	Liabilities, Average of Year, £19,543,166.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,907,750.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 46 per Cent.
	£		£		
January	21,047,000	*108*	10,271,000	*115*	*49*
February	20,066,000	*103*	10,135,000	*113*	*50*
March	24,059,000	*123*	11,238,000	*126*	*47*
April	19,771,000	*101*	9,725,000	*109*	*49*
May	18,579,000	*95*	9,146,000	*102*	*49*
June	19,079,000	*97*	9,550,000	*107*	*50*
July	17,683,000	*90*	8,577,000	*96*	*49*
August.....	16,998,000	*87*	8,119,000	*91*	*48*
September ...	18,051,000	*92*	7,806,000	*88*	*43*
October	18,375,000	*94*	6,090,000	*68*	*33*
November ...	18,602,000	*95*	7,675,000	*86*	*41*
December ...	22,208,000	*114*	8,561,000	*96*	*38*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1854.

	Liabilities, Average of Year, £15,740,833.	Average Liabilities of Year = 100.	Reserve, Average of Year, £7,290,333.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 46 per Cent.
	£		£		
January	18,954,000	*120*	8,077,000	*111*	*43*
February.....	15,673,000	*99*	8,237,000	*113*	*53*
March	15,686,000	*99*	8,040,000	*110*	*51*
April.....	15,903,000	*101*	5,445,000	*75*	*34*
May	14,082,000	*89*	5,548,000	*76*	*39*
June.....	14,729,000	*93*	7,072,000	*97*	*48*
July	16,265,000	*103*	7,341,000	*101*	*45*
August.....	14,639,000	*93*	7,390,000	*101*	*51*
September ...	15,857,000	*100*	7,588,000	*104*	*48*
October	15,066,000	*95*	6,629,000	*91*	*44*
November ...	15,144,000	*96*	7,459,000	*102*	*49*
December ...	16,892,000	*107*	8,658,000	*119*	*51*

1855.

	Liabilities, Average of Year, £17,698,583.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,366,583.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 47 per Cent.
	£		£		
January	15,120,000	*85*	6,774,000	*81*	*45*
February.....	15,727,000	*89*	7,480,000	*89*	*48*
March	17,052,000	*96*	9,109,000	*109*	*53*
April.....	18,306,000	*103*	8,954,000	*107*	*49*
May	17,192,000	*97*	10,512,000	*125*	*61*
June.....	20,063,000	*113*	12,273,000	*147*	*61*
July	18,708,000	*105*	10,193,000	*122*	*54*
August.....	18,813,000	*106*	9,662,000	*115*	*51*
September ...	20,023,000	*113*	7,904,000	*95*	*39*
October	17,193,000	*97*	5,204,000	*62*	*30*
November ...	16,253,000	*92*	5,650,000	*67*	*35*
December ...	17,933,000	*101*	6,684,000	*80*	*37*

1856.

	Liabilities, Average of Year, £16,864,500.	Average Liabilities of Year = 100.	Reserve, Average of Year, £5,772,083.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 34 per Cent.
	£				
January	18,149,000	*108*	5,667,000	*98*	*31*
February.....	18,613,000	*110*	6,284,000	*109*	*34*
March	18,807,000	*111*	6,290,000	*109*	*33*
April.....	16,624,000	*99*	4,565,000	*79*	*27*
May	15,415,000	*91*	5,023,000	*87*	*33*
June.....	15,432,000	*92*	7,372,000	*127*	*48*
July	15,893,000	*94*	6,378,000	*110*	*40*
August.....	15,704,000	*93*	6,770,000	*117*	*43*
September ...	18,046,000	*107*	6,594,000	*114*	*36*
October	17,135,000	*102*	3,781,000	*65*	*22*
November ...	15,607,000	*92*	4,352,000	*75*	*28*
December ...	16,949,000	*100*	6,189,000	*107*	*36*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1857.

	Liabilities, Average of Year, £17,828,833.	Average Liabilities of Year = 100.	Reserve, Average of Year, £5,347,750.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 30 per Cent.
	£		£		
January	16,157,000	*90*	5,327,000	*100*	*33*
February	17,802,000	*100*	6,001,000	*112*	*34*
March	19,350,000	*108*	5,958,000	*111*	*31*
April.....	16,815,000	*94*	4,164,000	*78*	*25*
May	15,927,000	*89*	4,992,000	*93*	*31*
June.....	17,782,000	*100*	6,537,000	*122*	*37*
July	15,797,000	*88*	6,384,000	*120*	*40*
August.....	16,811,000	*94*	6,314,000	*118*	*37*
September ...	17,784,000	*100*	6,728,000	*126*	*38*
October	17,481,000	*98*	4,118,000	*77*	*23*
November ...	19,639,000	*110*	2,030,000	*38*	*10*
December ...	22,601,000	*127*	5,619,000	*105*	*25*

1858.

	Liabilities, Average of Year, £20,847,833.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,037,416.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 58 per Cent.
	£		£		
January	22,615,000	*108*	8,719,000	*72*	*38*
February	21,390,000	*102*	11,596,000	*96*	*54*
March	21,308,000	*102*	13,004,000	*108*	*61*
April.....	20,714,000	*99*	12,555,000	*104*	*60*
May	19,536,000	*94*	12,147,000	*101*	*62*
June.....	20,765,000	*100*	12,648,000	*105*	*61*
July	19,940,000	*96*	11,086,000	*92*	*55*
August.....	19,482,000	*93*	11,345,000	*94*	*58*
September ...	20,892,000	*100*	12,920,000	*107*	*62*
October	20,618,000	*99*	12,722,000	*106*	*62*
November ...	20,255,000	*97*	12,247,000	*102*	*61*
December ...	22,659,000	*108*	13,460,000	*112*	*60*

1859.

	Liabilities, Average of Year, £22,530,833.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,076,175.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 49 per Cent.
	£		£		
January	22,654,000	*100*	6,146,000	*81*	*33*
February	22,792,000	*95*	6,700,000	*88*	*38*
March	23,245,000	*105*	7,814,000	*103*	*40*
April.....	21,973,000	*102*	7,488,000	*98*	*40*
May	22,969,000	*101*	6,982,000	*92*	*38*
June.....	23,920,000	*105*	7,323,000	*96*	*38*
July	21,852,000	*95*	6,241,000	*82*	*35*
August.....	21,200,000	*92*	7,332,000	*96*	*43*
September ...	22,562,000	*97*	8,412,000	*111*	*47*
October	21,922,000	*101*	7,775,000	*102*	*42*
November ...	21,925,000	*99*	8,710,000	*114*	*47*
December ...	23,356,000	*108*	10,413,000	*137*	*52*

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TABLE II. *Continued*—MONTHLY AVERAGES OF LIABILITIES AND RESERVE OF BANK OF ENGLAND.

1860.

	Liabilities, Average of Year, £20,893,333.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,451,083.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 40 per Cent.
	£		£		
January	21,658,000	*104*	8,673,000	*103*	*40*
February	21,604,000	*103*	8,452,000	*100*	*39*
March	23,385,000	*112*	9,142,000	*108*	*39*
April.....	22,278,000	*107*	6,991,000	*83*	*32*
May	20,762,000	*99*	8,304,000	*98*	*40*
June.....	21,474,000	*103*	9,771,000	*116*	*45*
July	20,477,000	*98*	8,597,000	*102*	*42*
August.....	19,948,000	*96*	8,514,000	*101*	*43*
September ...	20,845,000	*100*	9,756,000	*115*	*47*
October	19,167,000	*92*	7,755,000	*92*	*41*
November ...	19,536,000	*93*	7,541,000	*89*	*38*
December ...	19,586,000	*94*	7,917,000	*94*	*40*

1861.

	Liabilities, Average of Year, £18,481,383.	Average Liabilities of Year = 100.	Reserve, Average of Year, £7,611,333.	Average Reserve of Year. = 100.	Proportion of Reserve to Liabilities, 41 per Cent.
	£		£		
January	18,488,000	*100*	6,146,000	*81*	*33*
February	17,614,000	*95*	6,700,000	*88*	*38*
March	19,481,000	*105*	7,814,000	*103*	*40*
April	18,784,000	*102*	7,488,000	*98*	*40*
May	18,595,000	*101*	6,982,000	*92*	*38*
June.....	19,352,000	*105*	7,323,000	*96*	*38*
July	17,607,000	*95*	6,241,000	*82*	*35*
August.....	16,978,000	*92*	7,332,000	*96*	*43*
September ...	17,948,000	*97*	8,412,000	*111*	*47*
October	18,655,000	*101*	7,775,000	*102*	*42*
November ...	18,367,000	*99*	8,710,000	*114*	*47*
December ...	19,907,000	*108*	10,413,000	*137*	*52*

1862.

	Liabilities, Average of Year, £22,414,175.	Average Liabilities of Year = 100.	Reserve, Average of Year, £10,194,416.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 45 per Cent.
	£		£		
January	21,271,000	*95*	10,308,000	*101*	*48*
February	21,075,000	*94*	10,201,000	*100*	*48*
March	21,817,000	*97*	10,762,000	*105*	*49*
April.....	22,229,000	*99*	10,461,000	*103*	*47*
May	22,034,000	*98*	10,472,000	*103*	*47*
June.....	22,653,000	*101*	9,423,000	*92*	*42*
July	23,453,000	*105*	10,106,000	*99*	*43*
August.....	22,554,000	*101*	10,428,000	*102*	*46*
September ...	23,610,000	*105*	11,179,000	*109*	*47*
October	22,692,000	*101*	9,473,000	*93*	*42*
November ...	22,216,000	*99*	9,463,000	*93*	*43*
December ...	23,366,000	*104*	10,057,000	*98*	*43*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1863.

	Liabilities, Average of Year, £21,946,666.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,536,333.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 39 per Cent.
	£		£		
January	22,712,000	*103*	8,483,000	*99*	*37*
February.....	21,065,000	*96*	9,311,000	*109*	*44*
March	22,785,000	*104*	9,758,000	*114*	*43*
April.....	22,070,000	*101*	9,175,000	*108*	*41*
May	21,651,000	*99*	8,738,000	*102*	*40*
June.....	24,071,000	*109*	9,088,000	*106*	*38*
July	23,090,000	*105*	8,095,000	*95*	*35*
August.....	20,021,000	*91*	8,406,000	*98*	*42*
September ...	21,540,000	*98*	9,019,000	*106*	*42*
October	21,384,000	*97*	7,316,000	*86*	*34*
November ...	20,169,000	*92*	6,895,000	*81*	*34*
December ...	22,802,000	*104*	8,152,000	*96*	*36*

1864.

	Liabilities, Average of Year, £20,600,750.	Average Liabilities of Year = 100.	Reserve, Average of Year, £7,478,583.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 37 per Cent.
	£		£		
January	21,366,000	*104*	7,476,000	*100*	*35*
February.....	20,869,000	*101*	8,059,000	*108*	*39*
March	22,453,000	*109*	8,668,000	*116*	*39*
April.....	20,776,000	*101*	6,562,000	*88*	*31*
May	20,717,000	*100*	6,765,000	*91*	*33*
June.....	22,113,000	*107*	8,403,000	*113*	*38*
July	20,377,000	*99*	6,528,000	*87*	*32*
August.....	19,550,000	*95*	5,944,000	*79*	*30*
September ...	19,872,000	*96*	7,241,000	*97*	*36*
October	19,028,000	*92*	6,497,000	*87*	*34*
November ...	19,669,000	*95*	8,233,000	*110*	*42*
December ...	20,419,000	*99*	9,367,000	*126*	*46*

1865.

	Liabilities, Average of Year, £21,200,250.	Average Liabilities of Year = 100.	Reserve, Average of Year, £8,089,750.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 38 per Cent.
	£		£		
January	20,808,000	*98*	8,315,000	*103*	*40*
February.....	20,813,000	*98*	9,080,000	*112*	*44*
March	22,844,000	*108*	9,885,000	*122*	*43*
April.....	21,873,000	*103*	8,578,000	*106*	*39*
May	21,918,000	*103*	8,607,000	*107*	*39*
June.....	23,085,000	*109*	9,871,000	*122*	*39*
July	21,567,000	*102*	7,693,000	*95*	*43*
August.....	20,749,000	*98*	6,961,000	*86*	*36*
September ...	21,007,000	*99*	7,335,000	*91*	*33*
October	19,590,000	*92*	5,338,000	*66*	*35*
November ...	18,747,000	*88*	7,355,000	*91*	*27*
December ...	21,402,000	*101*	8,058,000	*100*	*38*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1866.

	Liabilities, Average of Year, £22,603,250.	Average Liabilities of Year = 100.	Reserve, Average of Year, £6,745,000.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 30 per Cent.
	£		£		
January	19,420,000	*86*	6,381,000	*95*	*33*
February	17,865,000	*79*	7,583,000	*113*	*43*
March	20,098,000	*89*	8,420,000	*125*	*42*
April	19,392,000	*86*	6,847,000	*102*	*35*
May	23,266,000	*103*	2,979,000	*44*	*13*
June	28,425,000	*126*	4,076,000	*60*	*14*
July	24,199,000	*107*	3,636,000	*54*	*15*
August.....	22,257,000	*98*	4,798,000	*71*	*21*
September ...	23,277,000	*103*	7,765,000	*115*	*33*
October	23,240,000	*103*	7,531,000	*112*	*32*
November ...	23,343,000	*103*	9,421,000	*140*	*40*
December ...	26,457,000	*117*	11,503,000	*171*	*43*

1867.

	Liabilities, Average of Year, £26,106,750.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,906,333.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 49 per Cent.
	£		£		
January	26,791,000	*102*	11,057,000	*86*	*41*
February	24,964,000	*96*	11,394,000	*88*	*46*
March	25,985,000	*99*	12,246,000	*95*	*47*
April	25,306,000	*97*	11,128,000	*86*	*44*
May	25,803,000	*99*	11,475,000	*89*	*44*
June	27,900,000	*107*	13,675,000	*106*	*49*
July	26,695,000	*102*	13,526,000	*105*	*51*
August.....	26,186,000	*100*	14,443,000	*112*	*55*
September ...	27,553,000	*106*	15,617,000	*121*	*57*
October	25,737,000	*99*	13,706,000	*106*	*53*
November ...	24,706,000	*95*	13,165,000	*102*	*53*
December ...	25,655,000	*98*	13,444,000	*104*	*52*

1868.

	Liabilities, Average of Year, £25,619,250.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,903,166.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 46 per Cent.
	£		£		
January	27,285,000	*106*	13,116,000	*110*	*48*
February	25,217,000	*98*	13,057,000	*110*	*52*
March	26,049,000	*102*	12,976,000	*109*	*50*
April	25,635,000	*100*	11,493,000	*96*	*45*
May	26,620,000	*104*	11,684,000	*98*	*44*
June	28,026,000	*109*	13,683,000	*115*	*49*
July	26,843,000	*105*	12,669,000	*106*	*47*
August.....	23,844,000	*93*	11,495,000	*96*	*48*
September ...	24,140,000	*94*	11,906,000	*100*	*49*
October	24,523,000	*96*	10,707,000	*90*	*44*
November ...	24,158,000	*94*	10,067,000	*85*	*42*
December ...	25,091,000	*98*	9,985,000	*84*	*40*

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TABLE II. *Continued*—MONTHLY AVERAGES OF LIABILITIES AND RESERVE OF BANK OF ENGLAND.

1869.

	Liabilities, Average of Year, £23,713,500.	Average Liabilities of Year = 100.	Reserve, Average of Year, £10,320,175.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	25,247,000	*106*	9,753,000	*94*	*39*
February	22,883,000	*96*	10,139,000	*98*	*44*
March	24,981,000	*105*	9,754,000	*94*	*39*
April.....	23,112,000	*97*	8,328,000	*81*	*36*
May	23,038,000	*97*	8,331,000	*81*	*36*
June.....	25,277,000	*106*	10,993,000	*107*	*43*
July	24,832,000	*105*	11,205,000	*109*	*45*
August.....	22,514,000	*95*	12,043,000	*117*	*53*
September ...	22,989,000	*97*	12,001,000	*116*	*52*
October	22,723,000	*96*	10,061,000	*98*	*44*
November ...	22,216,000	*94*	10,059,000	*98*	*45*
December ...	24,750,000	*104*	11,175,000	*108*	*45*

1870.

	Liabilities, Average of Year, £26,358,416.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,435,333.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 47 per Cent.
	£		£		
January	26,565,000	*101*	10,772,000	*86*	*40*
February	26,955,000	*102*	11,974,000	*96*	*44*
March	28,282,000	*107*	12,942,000	*104*	*46*
April.....	25,415,000	*96*	11,666,000	*94*	*46*
May	25,528,000	*97*	11,672,000	*94*	*46*
June.....	28,664,000	*109*	13,258,000	*107*	*46*
July	26,741,000	*102*	11,473,000	*92*	*43*
August.....	26,693,000	*101*	10,981,000	*88*	*41*
September ...	25,956,000	*98*	13,449,000	*108*	*52*
October	24,444,000	*93*	13,019,000	*105*	*53*
November ...	24,775,000	*94*	13,286,000	*107*	*54*
December ...	26,283,000	*100*	14,732,000	*118*	*56*

1871.

	Liabilities, Average of Year, £29,022,583.	Average Liabilities of Year = 100.	Reserve, Average of Year, £14,162,916.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 49 per Cent.
	£		£		
January	26,468,000	*91*	13,242,000	*94*	*50*
February	26,725,000	*92*	13,464,000	*95*	*50*
March	31,872,000	*110*	13,764,000	*97*	*43*
April	29,807,000	*103*	13,291,000	*94*	*45*
May	28,199,000	*97*	14,691,000	*104*	*52*
June.....	30,167,000	*104*	17,175,000	*121*	*57*
July	33,138,000	*114*	16,876,000	*119*	*51*
August.....	28,404,000	*98*	15,186,000	*107*	*53*
September ...	27,714,000	*95*	13,485,000	*95*	*49*
October	27,859,000	*96*	9,529,000	*67*	*34*
November ...	28,789,000	*99*	13,802,000	*97*	*48*
December ...	29,129,000	*100*	15,450,000	*109*	*53*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1872.

	Liabilities, Average of Year, £29,268,750.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,122,416.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 41 per Cent.
	£		£		
January	30,031,000	*103*	14,482,000	*119*	*48*
February	30,014,000	*103*	14,237,000	*117*	*47*
March	32,688,000	*111*	13,656,000	*113*	*42*
April.....	31,042,000	*106*	10,977,000	*90*	*35*
May	28,956,000	*99*	10,302,000	*85*	*36*
June.....	29,655,000	*101*	13,405,000	*111*	*45*
July	29,465,000	*101*	11,845,000	*98*	*40*
August.....	28,911,000	*99*	12,139,000	*100*	*42*
September ...	29,084,000	*99*	11,411,000	*94*	*39*
October	26,428,000	*90*	8,648,000	*71*	*33*
November ...	27,243,000	*93*	10,754,000	*88*	*39*
December ...	27,708,000	*95*	13,613,000	*112*	*49*

1873.

	Liabilities, Average of Year, £28,986,583.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,051,000.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 42 per Cent.
	£		£		
January	28,527,000	*98*	13,792,000	*115*	*48*
February	32,158,000	*111*	15,340,000	*129*	*48*
March	34,985,000	*121*	14,913,000	*124*	*43*
April.....	33,900,000	*117*	11,141,000	*93*	*33*
May	30,951,000	*107*	10,497,000	*87*	*34*
June.....	30,314,000	*105*	11,200,000	*93*	*37*
July	26,275,000	*91*	11,566,000	*96*	*44*
August.....	25,010,000	*86*	13,005,000	*108*	*52*
September ...	29,345,000	*101*	13,131,000	*109*	*45*
October	25,746,000	*89*	8,560,000	*71*	*33*
November ...	23,914,000	*83*	9,534,000	*79*	*40*
December ...	26,474,000	*91*	11,933,000	*99*	*45*

1874.

	Liabilities, Average of Year, £25,493,500.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,035,500.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	26,352,000	*103*	12,329,000	*112*	*47*
February	25,870,000	*101*	12,355,000	*112*	*48*
March	27,417,000	*108*	12,826,000	*116*	*47*
April.....	28,167,000	*110*	10,627,000	*96*	*38*
May	26,189,000	*103*	10,391,000	*94*	*40*
June.....	26,423,000	*104*	12,276,000	*111*	*46*
July	25,295,000	*99*	10,978,000	*99*	*43*
August.....	23,355,000	*92*	10,672,000	*97*	*46*
September ...	24,352,000	*95*	11,488,000	*104*	*47*
October	26,176,000	*103*	9,790,000	*89*	*37*
November ...	22,928,000	*90*	8,994,000	*82*	*39*
December ...	23,398,000	*92*	9,700,000	*88*	*41*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1875.

	Liabilities, Average of Year, £26,749,985.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,596,525.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	24,988,000	*93*	11,165,000	*96*	*44*
February	23,757,000	*89*	10,142,000	*87*	*43*
March	26,232,000	*98*	10,153,000	*87*	*38*
April	24,541,000	*92*	9,202,000	*79*	*37*
May	23,752,000	*89*	9,176,000	*78*	*39*
June	28,101,000	*105*	12,071,000	*103*	*43*
July	31,489,000	*117*	14,455,000	*124*	*46*
August.....	29,472,000	*110*	15,696,000	*134*	*53*
September ...	28,553,000	*106*	14,947,000	*128*	*52*
October	28,688,000	*107*	11,015,000	*95*	*38*
November ...	24,509,000	*91*	10,323,000	*89*	*42*
December ...	26,263,000	*98*	10,491,000	*90*	*40*

1876.

	Liabilities, Average of Year, £29,846,347.	Average Liabilities of Year = 100.	Reserve, Average of Year, £15,961,592.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 53 per Cent.
	£		£		
January	25,498,000	*85*	9,313,000	*58*	*37*
February	25,744,000	*86*	11,048,000	*69*	*43*
March	29,137,000	*97*	12,633,000	*79*	*43*
April	28,092,000	*94*	13,226,000	*83*	*47*
May	28,237,000	*94*	13,942,000	*87*	*49*
June	30,576,000	*102*	16,483,000	*103*	*54*
July	33,094,000	*111*	18,286,000	*114*	*55*
August.....	34,067,000	*114*	20,363,000	*128*	*60*
September ...	34,891,000	*117*	21,763,000	*130*	*62*
October	35,406,000	*119*	19,904,000	*124*	*56*
November ...	30,857,000	*104*	17,969,000	*113*	*58*
December ...	31,825,000	*107*	16,345,000	*102*	*51*

1877.

	Liabilities, Average of Year, £28,771,424.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,478,680.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	32,020,000	*111*	15,563,000	*124*	*49*
February	30,272,000	*105*	14,186,000	*113*	*47*
March	31,987,000	*108*	14,096,000	*113*	*44*
April	30,328,000	*105*	12,516,000	*100*	*41*
May	28,841,000	*100*	11,515,000	*92*	*40*
June	30,190,000	*105*	13,316,000	*107*	*44*
July	30,123,000	*104*	13,672,000	*110*	*45*
August.....	27,701,000	*96*	12,293,000	*99*	*44*
September ...	27,464,000	*96*	11,824,000	*94*	*43*
October	26,154,000	*91*	9,662,000	*77*	*37*
November ...	24,394,000	*85*	10,462,000	*84*	*43*
December ...	25,875,000	*90*	12,249,000	*98*	*47*

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TABLE II. *Continued*—MONTHLY AVERAGES OF LIABILITIES AND RESERVE OF BANK OF ENGLAND.

1878.

	Liabilities, Average of Year, £29,074,952.	Average Liabilities of Year = 100.	Reserve, Average of Year, £10,879,044.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 37 per Cent.
	£		£		
January	29,549,000	*101*	12,350,000	*113*	*42*
February	28,716,000	*99*	13,096,000	*120*	*45*
March	34,237,000	*117*	12,448,000	*114*	*36*
April.....	30,787,000	*106*	10,203,000	*94*	*33*
May	28,548,000	*98*	10,479,000	*96*	*37*
June	29,229,000	*100*	11,195,000	*103*	*38*
July	27,072,000	*93*	9,205,000	*84*	*34*
August.....	24,233,000	*83*	9,179,000	*84*	*38*
September ...	24,893,000	*86*	11,130,000	*102*	*44*
October	30,062,000	*103*	9,843,000	*90*	*33*
November ...	30,214,000	*104*	11,789,000	*108*	*39*
December ...	31,651,000	*109*	10,059,000	*92*	*32*

1845-61.

	Liabilities, Average of 17 Years, £18,401,590.	Average Liabilities of 17 Years = 100.	Reserve, Average of 17 Years, £8,869,117.	Average Reserve of 17 Years = 100.	Proportion of Reserve to Liabilities, 48 per Cent.
	£		£		
January	19,532,000	*106*	8,560,000	*96*	*44*
February	19,556,000	*106*	9,144,000	*103*	*47*
March	19,793,000	*107*	9,821,000	*111*	*50*
April.....	18,328,000	*99*	8,281,000	*93*	*45*
May	17,481,000	*95*	8,517,000	*96*	*49*
June	18,987,000	*103*	9,797,000	*110*	*52*
July	17,708,000	*96*	8,744,000	*98*	*49*
August.....	17,210,000	*93*	8,938,000	*101*	*52*
September ...	18,610,000	*101*	9,285,000	*105*	*50*
October	17,941,000	*98*	7,804,000	*89*	*44*
November ...	17,893,000	*97*	8,161,000	*92*	*45*
December ...	19,865,000	*108*	9,576,000	*108*	*48*

1862-78.

	Liabilities, Average of 17 Years, £25,751,596.	Average Liabilities of 17 Years = 100.	Reserve, Average of 17 Years, £11,111,574.	Average Reserve of 17 Years = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	25,582,000	*99*	11,053,000	*99*	*43*
February	24,998,000	*97*	11,451,000	*102*	*46*
March	27,285,000	*105*	11,759,000	*105*	*43*
April.....	26,028,000	*101*	10,319,000	*92*	*40*
May	25,544,000	*99*	10,101,000	*91*	*40*
June	27,345,000	*106*	11,741,000	*105*	*43*
July	26,691,000	*103*	11,283,000	*101*	*42*
August.....	25,673,000	*99*	11,414,000	*102*	*44*
September ...	25,661,000	*99*	12,041,000	*108*	*47*
October	25,287,000	*98*	10,035,000	*90*	*40*
November ...	24,288,000	*94*	10,681,000	*96*	*44*
December ...	25,797,000	*100*	11,545,000	*103*	*44*

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1845–1878.

	Liabilities, Average of 34 Years, £22,076,593.	Average Liabilities of 34 Years = 100.	Reserve, Average of 34 Years, £9,990,345.	Average Reserve of 34 Years = 100.	Proportion of Reserve to Liabilities, 45 per Cent.
	£		£		
January	22,557,000	*102*	9,806,000	*98*	*43*
February.....	22,277,000	*100*	10,297,000	*103*	*46*
March	23,539,000	*106*	10,790,000	*108*	*46*
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June.....	23,166,000	*105*	10,769,000	*107*	*46*
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CHAPTER III.

THE BALANCES OF THE LONDON BANKERS WITH THE BANK OF ENGLAND.

THE subject of the bankers' balances with the Bank of England requires some further consideration. There have been several occasions, principally of late years, on which the balances of the London bankers with the Bank have been larger than the reserve of the Bank of England.

Thus :—

	£
On 11th November, 1857, the Bank of England reserve was	1,462,000
" " London bankers' balances	4,649,000
On 16th May, 1866, the Bank of England reserve was	1,203,000
" " London bankers' balances	7,930,000
On 31st October, 1877, the Bank of England reserve was	9,678,000
" " London bankers' balances	10,069,000

The last statement shows in a very remarkable way the manner in which the London bankers' balances have continued to expand. October, 1877, was a very severe time of pressure, and the amount of the bankers' balances then shown was by no means the largest in the return of that year, but it still largely exceeded the amount attained during the panic of 1866.

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The details of the dates when the bankers' balances exceeded the reserve are as follows :—

NUMBER OF TIMES WHEN THE BANKERS' BALANCES EXCEEDED THE RESERVE OF THE BANK OF ENGLAND.

1847	1
1856	2
1857	7
1858	2
1865	1
1866	20
1871	4
1872	1
1873	6
1874	6
1875	9
1877	2
	61

Divided into four groups of eight years each, the results are as follows :—

NUMBER OF TIMES WHEN THE BANKERS' BALANCES EXCEEDED THE RESERVE OF THE BANK OF ENGLAND.

Years 1844-53	1
„ 1854-61	11
„ 1862-69	21
„ 1870-77	28
	61

These statements also show that this tendency is independent of years of panic or extraordinary pressure. Though no panic whatever occurred during the years 1870-1877, the balances of the London bankers were yet more frequently larger in the aggregate than the reserve of the Bank of England in those eight years, than in any of the similar groups of years which preceded.

These figures mark very distinctly that the growth of the balances of the London bankers increases progressively in a larger proportion than the reserve of the Bank of England.

It would be a very desirable thing if the amounts held by the bankers, both in London and the provinces, with the Bank were published every week, as it would then be clear what the reserve really consisted of. If

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in the published accounts of the Bank the amount of the balances of the bankers were deducted from the ordinary deposits, and a corresponding deduction made from the reserve, as in the form of account given below, it would become obvious at once that, on the 26th December, 1877—the latest statement respecting which these details are available—the deposits of the public with the Bank of England, instead of being 20 millions, were 11 millions, that the reserve available against the ordinary, as distinguished from the banking portion of the liabilities, was 3½ millions instead of 12, and that the proportion of this reserve, instead of being 46 per cent., as the usual statement makes it, was only about 20 per cent.

TABLE III.—Bank of England. Account for the Week Ending on Wednesday, the 26th Day of December, 1877. Arranged so as to Show the Proportion of the Reserve to the Liabilities after Deducting the Balances of the London Bankers' from Both.

ISSUE DEPARTMENT.

	£		£
Notes issued	38,231,530	Government debts	11,015,100
		Other securities	3,984,900
		Gold coin and bullion	23,231,530
	38,231,530		38,231,530

BANKING DEPARTMENT.

	£		£
Proprietors' capital	14,553,000	Government securities	13,383,176
Rest	3,073,356	Other securities	18,441,368
Public deposits	5,942,869	Notes 11,433,545	
Other deposits 20,183,367		Less, per contra 8,695,000	
Less, bankers' balances 8,695,000			2,738,545
	11,488,367	Gold and silver coin	800,540
Seven-day and other bills	306,037		
	35,363,629		35,363,629

Proportion of reserve to liabilities, less bankers' balances from both, 20 per cent.

Proportion of reserve to liabilities, shown in ordinary form, 46 per cent.

The statement selected as an illustration is merely taken as being the last published, and not for any other reason. It would have been easy to select the accounts

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of other weeks, in which the proportion borne by the London bankers' balances to the deposits generally, and also the proportion of the London bankers' balances to the reserve, would have been considerably larger than in the one chosen, and consequently the proportion borne by the reserve to the remainder of the liabilities would have been far smaller; or to have taken a week's account in which the whole reserve was insufficient to meet the demands which might be made by the London bankers alone. The account of a week has been taken which is not an extreme instance in any way. If the ordinary liabilities of the Bank were distinguished from those incurred to its banking customers, attention would be more readily drawn to those occasions on which the bank reserve of the Bank of England was insufficient to meet the balances of the London bankers. But whether the accounts of the Bank of England are put into this form or not, one thing is clear—that the balances kept by other bankers with it cannot really form part of its own reserve and of the other banks as well, unless the amounts thus derived are held in hand ready to meet any emergency. These balances are the ultimate reserve of all the banks in the kingdom. There is no other country in the world, of which the banking system is known, in which the reserves of the banks are loaned out in the manner in which they are employed in this country. This has been the case here ever since modern banking has assumed its present form. The practice has, therefore, the plea of usage in its favour, and the plea of usage is an extremely strong one; but it is not one which should be followed implicitly when there are good reasons for a change. It might be undesirable to say that these balances should never be loaned out; but it is clear that they form that portion of the resources of the Bank which should be employed with the utmost caution.

The balances of the London bankers with the Bank of England are included among its other liabilities. In another sense also these balances, which, as previously mentioned, must be regarded as being of the nature of

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till money, as far as transactions between the banks who own it are concerned, form a portion of the general banking reserve of the country. They are the only reserve of ready money kept by the bankers of the United Kingdom beyond the amount of cash in their tills. It is not meant, of course, by this to state that they are the only resources which the bankers of the country would have to fall back on in any time of pressure, for the amounts held at "call," and readily available in other forms, are very large—far larger than any of the figures now before us for consideration. But, as far as actual "cash" is concerned, these balances are the only source from which an immediate supply can be obtained for any immediate need. And to include the amounts which these balances represent among the reserves of the Bank of England, and also among the banking reserves of the country at large, is really to reckon them twice over. An estimate has, therefore, been made of the amount which the liabilities of the Bank of England would be if the balances of the London bankers were deducted from them, and also of the amount at which the reserve of the Bank would stand if these balances were not included in it; that is to say, of the position which the Bank of England would maintain if the London bankers held their own balances in Bank of England notes, or in gold in their own safes.

It has not been possible, in the space to which this statement is of necessity confined, to exhibit what the effect of making up the accounts of the Bank of England in this manner would be on every weekly return of the Bank; but the general effect is shown in col. 16 of Table I. This column contains the proportion which the annual average reserve of the Bank of England would bear to the liabilities if the balances of the London bankers were deducted from those liabilities, and the same amount deducted also from the reserve. The gradual and progressive diminution in the proportion of reserve kept to the liabilities in general has been already noticed; but from this column we may see how much greater and more marked, especially in recent years.

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that diminution would have been, had the accounts of the Bank been made up in such a manner as to distinguish the ordinary from the special banking liabilities. The average reserve of the Bank of England would, if the bankers' balances had not been included in it, have been in 1875 but 6 per cent. of the liabilities, and in 1866 but 3 per cent. We may thus see clearly how largely the reserve of the Bank of England is composed of money which is really also the reserve of other banks, and retained against other liabilities, than those which appear in this account— liabilities which, of banks in the United Kingdom alone, are many times larger than those of the Bank of England, which were estimated in 1873 as being more than 500 millions, and are now probably about 520 millions. From a banking position, there is no doubt economy in making the Bank of England keep the reserve of the bankers, but it is equally certain that, from a general point of view, this tends to place any pressure always at one point—a point on which many and varied demands, for domestic and foreign needs, the requirements for wages in England, of farmers in Scotland, of dealers in Ireland, the requirements of great nations forming and increasing their gold circulations, demands for gold for export as well as for the internal circulation of the country, all concentrate. Great unsteadiness in the value of money is the result. Several useful suggestions have from time to time been made on this subject, and by those whose opinions deserve careful consideration. But the *vis inertiæ* which in this case would have to be overcome is a remarkably powerful force. It can only be hoped that those who feel the importance of the subject will keep it steadily before the public, till some arrangement is agreed to more suited to the necessities of the case than the present most inadequate method. It will probably require the experience of another panic, with all its miseries and all its losses, the extent of which none except those who have experienced the real brunt of such a lesson can appreciate, before any better arrangement is arrived at.

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Still it is best to place on record some suggestions as to what might be done. If our banks were to keep their own reserves, and publish their accounts weekly or monthly, the reserves held would undoubtedly be much larger than they are now, and business would be of a far more solid character, and more even in its tenor. Such an arrangement is hardly likely, but if the amount of the bankers' balances with the Bank were published weekly this might have a similar influence. It may be said that publicity on these points would be dangerous, and would lead to greater dangers than those to which we are already exposed in any time of pressure. There seem, however, no solid reasons for sharing in this apprehension. There is a great risk at such times to our highly complicated banking system from alarm among the ill-informed and ignorant. Their alarms might be soothed by a knowledge of the large resources held by the banks; and to those who have the conduct of the business such information might be of signal service. A knowledge of the position of the shoals and breakers to be avoided in his course, valuable at all times to the pilot, is essential among the additional perils of the storm.

It is much to be regretted that the information respecting the amount of the Bankers' Balances, which used to be periodically published, is now no longer given.

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TABLE II. *Continued*—**Monthly Averages of Liabilities and Reserve of Bank of England.**

1875.

	Liabilities, Average of Year, £26,749,985.	Average Liabilities of Year = 100.	Reserve, Average of Year, £11,596,525.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	24,988,000	*93*	11,165,000	*96*	*44*
February	23,757,000	*89*	10,142,000	*87*	*43*
March	26,232,000	*98*	10,153,000	*87*	*38*
April	24,541,000	*92*	9,202,000	*79*	*37*
May	23,752,000	*89*	9,176,000	*78*	*39*
June	28,101,000	*105*	12,071,000	*103*	*43*
July	31,489,000	*117*	14,455,000	*124*	*46*
August.....	29,472,000	*110*	15,696,000	*134*	*53*
September ...	28,553,000	*106*	14,947,000	*128*	*52*
October	28,688,000	*107*	11,015,000	*95*	*38*
November ...	24,509,000	*91*	10,323,000	*89*	*42*
December ...	26,263,000	*98*	10,491,000	*90*	*40*

1876.

	Liabilities, Average of Year, £29,846,347.	Average Liabilities of Year = 100.	Reserve, Average of Year, £15,961,592.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 53 per Cent.
	£		£		
January	25,498,000	*85*	9,313,000	*58*	*37*
February	25,744,000	*86*	11,048,000	*69*	*43*
March	29,137,000	*97*	12,633,000	*79*	*43*
April	28,092,000	*94*	13,226,000	*83*	*47*
May	28,237,000	*94*	13,942,000	*87*	*49*
June	30,576,000	*102*	16,483,000	*103*	*54*
July	33,094,000	*111*	18,286,000	*114*	*55*
August.....	34,067,000	*114*	20,363,000	*128*	*60*
September ...	34,891,000	*117*	21,763,000	*130*	*62*
October	35,406,000	*119*	19,904,000	*124*	*56*
November ...	30,857,000	*104*	17,969,000	*113*	*58*
December ...	31,825,000	*107*	16,345,000	*102*	*51*

1877.

	Liabilities, Average of Year, £28,771,424.	Average Liabilities of Year = 100.	Reserve, Average of Year, £12,478,680.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
	£		£		
January	32,020,000	*111*	15,563,000	*124*	*49*
February	30,272,000	*105*	14,186,000	*113*	*47*
March	31,987,000	*108*	14,096,000	*113*	*44*
April	30,328,000	*105*	12,516,000	*100*	*41*
May	28,841,000	*100*	11,515,000	*92*	*40*
June	30,190,000	*105*	13,316,000	*107*	*44*
July	30,123,000	*104*	13,672,000	*110*	*45*
August.....	27,701,000	*96*	12,293,000	*99*	*44*
September ...	27,464,000	*96*	11,824,000	*94*	*43*
October	26,154,000	*91*	9,662,000	*77*	*37*
November ...	24,394,000	*85*	10,462,000	*84*	*43*
December ...	25,875,000	*90*	12,249,000	*98*	*47*

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TABLE II. *Continued*—MONTHLY AVERAGES OF LIABILITIES AND RESERVE OF BANK OF ENGLAND.

1878.

	Liabilities, Average of Year, £29,074,952.	Average Liabilities of Year = 100.	Reserve, Average of Year, £10,879,044.	Average Reserve of Year = 100.	Proportion of Reserve to Liabilities, 37 per Cent.
	£		£		
January	29,549,000	*101*	12,350,000	*113*	*42*
February	28,716,000	*99*	13,096,000	*120*	*45*
March	34,237,000	*117*	12,448,000	*114*	*36*
April.....	30,787,000	*106*	10,203,000	*94*	*33*
May	28,548,000	*98*	10,479,000	*96*	*37*
June	29,229,000	*100*	11,195,000	*103*	*38*
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August.....	24,233,000	*83*	9,179,000	*84*	*38*
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1845-61.

	Liabilities, Average of 17 Years, £18,401,590.	Average Liabilities of 17 Years = 100.	Reserve, Average of 17 Years, £8,869,117.	Average Reserve of 17 Years = 100.	Proportion of Reserve to Liabilities, 48 per Cent.
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1862-78.

	Liabilities, Average of 17 Years, £25,751,596.	Average Liabilities of 17 Years = 100.	Reserve, Average of 17 Years, £11,111,574.	Average Reserve of 17 Years = 100.	Proportion of Reserve to Liabilities, 43 per Cent.
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TABLE II. *Continued*—MONTHLY AVERAGES OF LIABILITIES AND RESERVE OF BANK OF ENGLAND.

1845–1878.

	Liabilities, Average of 34 Years, £22,076,593.	Average Liabilities of 34 Years = 100.	Reserve, Average of 34 Years, £9,990,345.	Average Reserve of 34 Years = 100.	Proportion of Reserve to Liabilities, 45 per Cent.
	£		£		
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February.....	22,277,000	*100*	10,297,000	*103*	*46*
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April.....	22,178,000	*100*	9,300,000	*93*	*42*
May	21,512,000	*97*	9,309,000	*93*	*43*
June.....	23,166,000	*105*	10,769,000	*107*	*46*
July	22,199,000	*100*	10,013,000	*100*	*45*
August.....	21,941,000	*99*	10,176,000	*101*	*46*
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Thus :—

	£
On 11th November, 1857, the Bank of England reserve was	1,462,000
" " London bankers' balances	4,649,000
On 16th May, 1866, the Bank of England reserve was	1,203,000
" " London bankers' balances	7,930,000
On 31st October, 1877, the Bank of England reserve was	9,678,000
" " London bankers' balances	10,069,000

The last statement shows in a very remarkable way the manner in which the London bankers' balances have continued to expand. October, 1877, was a very severe time of pressure, and the amount of the bankers' balances then shown was by no means the largest in the return of that year, but it still largely exceeded the amount attained during the panic of 1866.

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The details of the dates when the bankers' balances exceeded the reserve are as follows :—

NUMBER OF TIMES WHEN THE BANKERS' BALANCES EXCEEDED THE RESERVE OF THE BANK OF ENGLAND.

1847	1
1856	2
1857	7
1858	2
1865	1
1866	20
1871	4
1872	1
1873	6
1874	6
1875	9
1877	2
	61

Divided into four groups of eight years each, the results are as follows :—

NUMBER OF TIMES WHEN THE BANKERS' BALANCES EXCEEDED THE RESERVE OF THE BANK OF ENGLAND.

Years 1844-53	1
„ 1854-61	11
„ 1862-69	21
„ 1870-77	28
	61

These statements also show that this tendency is independent of years of panic or extraordinary pressure. Though no panic whatever occurred during the years 1870-1877, the balances of the London bankers were yet more frequently larger in the aggregate than the reserve of the Bank of England in those eight years, than in any of the similar groups of years which preceded.

These figures mark very distinctly that the growth of the balances of the London bankers increases progressively in a larger proportion than the reserve of the Bank of England.

It would be a very desirable thing if the amounts held by the bankers, both in London and the provinces, with the Bank were published every week, as it would then be clear what the reserve really consisted of. If

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in the published accounts of the Bank the amount of the balances of the bankers were deducted from the ordinary deposits, and a corresponding deduction made from the reserve, as in the form of account given below, it would become obvious at once that, on the 26th December, 1877—the latest statement respecting which these details are available—the deposits of the public with the Bank of England, instead of being 20 millions, were 11 millions, that the reserve available against the ordinary, as distinguished from the banking portion of the liabilities, was 3½ millions instead of 12, and that the proportion of this reserve, instead of being 46 per cent., as the usual statement makes it, was only about 20 per cent.

TABLE III.—Bank of England. Account for the Week Ending on Wednesday, the 26th Day of December, 1877. Arranged so as to Show the Proportion of the Reserve to the Liabilities after Deducting the Balances of the London Bankers' from Both.

ISSUE DEPARTMENT.

	£		£
Notes issued	38,231,530	Government debts	11,015,100
		Other securities	3,984,900
		Gold coin and bullion	23,231,530
	38,231,530		38,231,530

BANKING DEPARTMENT.

	£		£
Proprietors' capital	14,553,000	Government securities	13,383,176
Rest	3,073,356	Other securities	18,441,368
Public deposits	5,942,869	Notes	11,433,545
Other deposits	20,183,367	Less, per contra	8,695,000
Less, bankers' balances	8,695,000		2,738,545
	11,488,367	Gold and silver coin	800,540
Seven-day and other bills	306,037		
	35,363,629		35,363,629

Proportion of reserve to liabilities, less bankers' balances from both, 20 per cent.

Proportion of reserve to liabilities, shown in ordinary form, 46 per cent.

The statement selected as an illustration is merely taken as being the last published, and not for any other reason. It would have been easy to select the accounts

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of other weeks, in which the proportion borne by the London bankers' balances to the deposits generally, and also the proportion of the London bankers' balances to the reserve, would have been considerably larger than in the one chosen, and consequently the proportion borne by the reserve to the remainder of the liabilities would have been far smaller; or to have taken a week's account in which the whole reserve was insufficient to meet the demands which might be made by the London bankers alone. The account of a week has been taken which is not an extreme instance in any way. If the ordinary liabilities of the Bank were distinguished from those incurred to its banking customers, attention would be more readily drawn to those occasions on which the bank reserve of the Bank of England was insufficient to meet the balances of the London bankers. But whether the accounts of the Bank of England are put into this form or not, one thing is clear—that the balances kept by other bankers with it cannot really form part of its own reserve and of the other banks as well, unless the amounts thus derived are held in hand ready to meet any emergency. These balances are the ultimate reserve of all the banks in the kingdom. There is no other country in the world, of which the banking system is known, in which the reserves of the banks are loaned out in the manner in which they are employed in this country. This has been the case here ever since modern banking has assumed its present form. The practice has, therefore, the plea of usage in its favour, and the plea of usage is an extremely strong one; but it is not one which should be followed implicitly when there are good reasons for a change. It might be undesirable to say that these balances should never be loaned out; but it is clear that they form that portion of the resources of the Bank which should be employed with the utmost caution.

The balances of the London bankers with the Bank of England are included among its other liabilities. In another sense also these balances, which, as previously mentioned, must be regarded as being of the nature of

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till money, as far as transactions between the banks who own it are concerned, form a portion of the general banking reserve of the country. They are the only reserve of ready money kept by the bankers of the United Kingdom beyond the amount of cash in their tills. It is not meant, of course, by this to state that they are the only resources which the bankers of the country would have to fall back on in any time of pressure, for the amounts held at "call," and readily available in other forms, are very large—far larger than any of the figures now before us for consideration. But, as far as actual "cash" is concerned, these balances are the only source from which an immediate supply can be obtained for any immediate need. And to include the amounts which these balances represent among the reserves of the Bank of England, and also among the banking reserves of the country at large, is really to reckon them twice over. An estimate has, therefore, been made of the amount which the liabilities of the Bank of England would be if the balances of the London bankers were deducted from them, and also of the amount at which the reserve of the Bank would stand if these balances were not included in it; that is to say, of the position which the Bank of England would maintain if the London bankers held their own balances in Bank of England notes, or in gold in their own safes.

It has not been possible, in the space to which this statement is of necessity confined, to exhibit what the effect of making up the accounts of the Bank of England in this manner would be on every weekly return of the Bank; but the general effect is shown in col. 16 of Table I. This column contains the proportion which the annual average reserve of the Bank of England would bear to the liabilities if the balances of the London bankers were deducted from those liabilities, and the same amount deducted also from the reserve. The gradual and progressive diminution in the proportion of reserve kept to the liabilities in general has been already noticed; but from this column we may see how much greater and more marked, especially in recent years

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that diminution would have been, had the accounts of the Bank been made up in such a manner as to distinguish the ordinary from the special banking liabilities. The average reserve of the Bank of England would, if the bankers' balances had not been included in it, have been in 1875 but 6 per cent. of the liabilities, and in 1866 but 3 per cent. We may thus see clearly how largely the reserve of the Bank of England is composed of money which is really also the reserve of other banks, and retained against other liabilities, than those which appear in this account— liabilities which, of banks in the United Kingdom alone, are many times larger than those of the Bank of England, which were estimated in 1873 as being more than 500 millions, and are now probably about 520 millions. From a banking position, there is no doubt economy in making the Bank of England keep the reserve of the bankers, but it is equally certain that, from a general point of view, this tends to place any pressure always at one point—a point on which many and varied demands, for domestic and foreign needs, the requirements for wages in England, of farmers in Scotland, of dealers in Ireland, the requirements of great nations forming and increasing their gold circulations, demands for gold for export as well as for the internal circulation of the country, all concentrate. Great unsteadiness in the value of money is the result. Several useful suggestions have from time to time been made on this subject, and by those whose opinions deserve careful consideration. But the *vis inertiæ* which in this case would have to be overcome is a remarkably powerful force. It can only be hoped that those who feel the importance of the subject will keep it steadily before the public, till some arrangement is agreed to more suited to the necessities of the case than the present most inadequate method. It will probably require the experience of another panic, with all its miseries and all its losses, the extent of which none except those who have experienced the real brunt of such a lesson can appreciate, before any better arrangement is arrived at.

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Still it is best to place on record some suggestions as to what might be done. If our banks were to keep their own reserves, and publish their accounts weekly or monthly, the reserves held would undoubtedly be much larger than they are now, and business would be of a far more solid character, and more even in its tenor. Such an arrangement is hardly likely, but if the amount of the bankers' balances with the Bank were published weekly this might have a similar influence. It may be said that publicity on these points would be dangerous, and would lead to greater dangers than those to which we are already exposed in any time of pressure. There seem, however, no solid reasons for sharing in this apprehension. There is a great risk at such times to our highly complicated banking system from alarm among the ill-informed and ignorant. Their alarms might be soothed by a knowledge of the large resources held by the banks; and to those who have the conduct of the business such information might be of signal service. A knowledge of the position of the shoals and breakers to be avoided in his course, valuable at all times to the pilot, is essential among the additional perils of the storm.

It is much to be regretted that the information respecting the amount of the Bankers' Balances, which used to be periodically published, is now no longer given.

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CHAPTER IV.

THE BALANCES OF THE LONDON BANKERS WITH THE BANK OF ENGLAND. HOW FAR THEY FORM AN EFFICIENT RESERVE.

CONSIDERABLE information of a very interesting character is thrown on the manner in which the balances of the London bankers with the Bank are regarded by the Bank directors, in some letters written by Mr. H. H. Gibbs, of the Bank of England, and published in an appendix to a recent work of Professor Bonamy Price.* These letters, in the places where they appear, form part of a very animated and interesting correspondence between Mr. Gibbs and Professor B. Price, on the Bank rate, the influx and efflux of gold, the "regulation of the currency," and other kindred subjects. It is not desirable to enter into the consideration of these questions at this time, but to examine mainly two points which are discussed in these letters, namely, the manner in which the Bank of England views the bankers' balances kept with it, and the proportion of these sums which they consider they may make use of in the natural way of business. The opinions of any director of the Bank, and especially of an ex-governor of such experience and standing as Mr. Gibbs, are very valuable, and no apology

* Chapters on Practical Political Economy. By Bonamy Price, Professor of Political Economy in the University of Oxford. London: C. Kegan Paul and Co.

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is needed for quoting from a correspondence which is open to the whole world to read. The correspondence at the point alluded to turns first on the question whether the custody of such large sums as the bankers keep on their accounts at the Bank of England may not cause some difficulty or even danger to the Bank. Mr. Gibbs in referring to this, and to the fact that the bankers' account is really an extremely easy one to arrange for, commences by remarking that "next to the Government account, the account of the collective bankers is the most certain and the most intelligible. . . . We know of the bankers, better than of any account in our books, what is the minimum balance wherewith they can live. They must have x on their account (a quantity unknown to all but us), and $x - y$, therefore—never appears. But if $x + y$ is seen, then we know that y must remain untouched and uninvested; must, in fact, form an addition to our *reserve; x* is ours for profit *if we like to use it*, but y is ours only for safe custody. Where is the danger? On the other hand, the possession of that account is of the greatest importance to us, as affording the most perfect and accurate measure of how far the public can at all act independently of us." The italics are in the book quoted from.

Mr. Gibbs continues in a later letter to explain that up to a certain point (x) the normal balance of the bankers was perfectly intelligible to the Bank; "their abnormal balance, (y) is an element of doubt." Now these remarks of Mr. Gibbs appear to confirm the advisability of the step which has been recommended, namely, that the bankers should decide that everything which they keep in hand beyond their working balances should not be placed to the credit of their clearing accounts with the Bank, but should be retained weekly under a separate heading, and not appear in the statements of the Bank. Such a separation would mark out at once what was really "reserve," and what was only nominally "reserve." The bankers' balances up to the point which Mr. Gibbs alludes to, and which may be approximately estimated

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from the outside, are really not reserves to them at all; they are merely "till money" on a scale commensurate with their operations, relatively, that is, to the demands which may be made on them at any moment in settling the clearing balances. This would be seen immediately if business in the city were conducted as it was pretty much up to the date when the clearing demands were still settled by the payment of the actual notes, not by means of a cheque drawn on the Bank of England. No one could call the sums held in bank notes in the safe, or the drawer near the counter, for that purpose, a "reserve." The notes were merely "till money," and "till money" the amounts which represent them still remain, though for their own convenience the banks have advanced a step beyond their primitive practice, and have agreed to divest themselves of the actual custody of the notes, and to keep the money itself in Threadneedle Street. It is impossible to call the sums thus held by the Bank on behalf of the bankers, which represent cash merely held to meet immediate claims, a reserve. Nor is anything beyond these sums, the clearing balances as they may be described, of much use to the Bank. The bankers have frequently large sums on their accounts beyond what they require for settling the daily clearing demands. These sums, and they are often very large, are a real reserve to them. But in consequence of uncertainty as to the length of time it may remain with the Bank, the directors do not feel justified in employing the proportion of the sum which exceeds the "minimum balance" in the same manner as they do the proportion which they know must remain fixed. The amount, Mr. Gibbs truly says—and with a most proper feeling of the line of action the Bank should always take—"is ours only for safe custody." Now if there is an axiom to be observed in banking, it is that things should always be regarded as they really are. To have a balance in your hands which you cannot use is a hindrance to business, and not a help. The bankers' balances in 1876 fluctuated nearly ten millions between their lowest and their highest point, and as the lowest

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may be taken as approximating to the necessary amount which has always to be maintained, it is clear that a very serious responsibility, without any corresponding advantage, must have been imposed on the Bank. To have placed these sums under a separate heading would, by Mr. Gibbs' own showing, have been no detriment to the Bank, while the doing so would have tended to the increase of that comparatively small amount of "unused money," the smallness of which is so constant and so real a danger to business in this country.

After all, the point perhaps of most importance in the recent decision of the Bank directors, which is dealt with in the next chapter, is how far their new intention of governing their dealings in the matter of discounting by the strict rules of supply and demand can be reconciled with their old practice of protecting the reserve when needful, irrespective of the rate of interest ruling in the market. The two things seem hardly capable of being reconciled with each other. The market rate of interest may be very low, and yet a demand for bullion for export may set in which may require that the rate should be raised. In circumstances like these—and they may occur any day—which influence is the directors to follow? It cannot be doubted that the Bank will be faithful to its old traditions and protect the reserve. But considering the vast sums continually floating in the outside market, and the sudden and large demand which may arise at any time out of exchange operations, the Bank may in all fairness call on those who have so large a share in regulating the outside market, to co-operate with it in providing a proper reserve to meet the demands which these operations are at times certain to entail. One thing is clear, that the fixing the rate of discount, and the custody of the reserve which is influenced by that rate, should be in the same hands; and if the rate fixed by the other banks influences the market more than it used to do, as appears to be the case, then the responsibility of providing an adequate reserve should be shared between them and the Bank of England.

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CHAPTER V.

THE PUBLISHED RATE OF DISCOUNT OF THE BANK OF ENGLAND.

THE directors of the Bank have recently (June, 1878) made a change in their mode of business with respect to discounts, by announcing that they will no longer feel bound to adhere to the rule of adhering to a fixed minimum rate as closely as they had done, which may have a considerable effect both on their own transactions and on the money market at large.

To investigate the reason for this change it is needful to go back some years, and to trace the practice of the Bank with regard to discounts from the year 1844. The most authentic records of facts of this description are to be found in the reports and evidence given before Parliamentary Committees, as the opinions of those who appeared before those Committees are preserved there in their very words.

The Report of the Committee of the House of Lords on Commercial Distress in 1848, thus contains a historical statement of great value on this question. From it may be learned that for more than a century, down to the year 1839, the Bank rate never exceeded 5, nor fell below 4 per cent. During the pressure of 1839 the rate was raised for some months to 6 per cent., but it was re-

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duced to 5 per cent. in January, 1840, and remained at 4 or 5 per cent. as before, till after the Bank Act was passed. At that date the market value of money was, and had been for some time previous, considerably below the Bank rate, so much so, in fact, that the Bank was entirely "out of the market." According to the evidence of Mr. H. J. Prescott, the deputy-governor of the Bank at the time, the Bank did not then hold "above two or three hundred thousand pounds of discounts in London, the market rate being at that time not above 1¾ to 2 per cent." The actual sum is mentioned as being 113,000*l*, when the Bank rate was reduced to 2½ per cent. in August, 1844.

This was the date at which the "new system of discounting," as Mr. Prescott termed it in his evidence, was adopted by the Bank. The novelty of the system consisted in the fact that the Bank commenced from the autumn of 1844 to adapt its own rate to the market rate, and with such effect that the governor of the Bank, Mr. James Morris, in giving evidence on the same occasion as Mr. Prescott, considered that by 1848 the Bank held half the discounts then in the market. "I consider," were Mr. Morris's words, "that in London the discounts by other parties, the great discount brokers and bankers, must be equal to the amount which the Bank holds under discount." And, in answer to another question, Mr. Morris added, "I think that the discount brokers and other parties afford altogether to the public an amount of discount equal to that afforded by the Bank, except in times of extreme pressure."

These observations made by the governor and the deputy-governor of the Bank in 1848 show what the position of the Bank of England was towards the outside market thirty years ago. They are supplemented and supported by the remarks made by Mr. Samuel Jones Lloyd (afterwards Lord Overstone) at the same date, when examined before the "Committee on Commercial Distress" of the House of Commons. Mr. Lloyd's evidence was to the effect that the Bank had at

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that time become more of a competitor in discount business than formerly, owing to the fact that it made its own terms conform to the fluctuations in the market rate more closely than it used to do. "The Bank rate," Mr. Lloyd said, "formerly was 4 or 5 per cent.; if the market rate of interest was below 4 per cent., the Bank ceased to discount till it got up again to that point. But in point of fact, latterly the discount department has become a very active department of the Bank." Mr. Lloyd's evidence thus confirms the statement which Mr. Morris had made.

This describes the position of matters in 1848. No great alteration had occurred in it nine or ten years later, when a Select Committee of the House of Commons collected further evidence on the working of the Bank Acts. Mr. D. B. Chapman was examined before that Committee; by his evidence it is shown that the rate charged by the Bank of England in 1857 was not as it is at present, almost invariably above the outside rate, but that it worked more nearly in unison with it, being sometimes a little above and sometimes a little below the market rate. When the Bank rate was very low the market rate was a little lower, and when the Bank rate was very high the market rate was a little higher. The evidence of the late Sir D. Salomons before the Committee of 1858 supported Mr. Chapman's remarks, and shows how closely the Bank rate conformed to the market rate at that period. In 1857, however, the first signs of divergence between the Bank rate and the market rate appear to have occurred. Sir D. Salomons mentioned that a few months previously the London and Westminster Bank had deviated from the principle of working in accordance with the Bank. His words were, "We at that time altered our system. We do not now follow so closely the Bank rate; we have, as far as we can, broken from it, adopting what may be called an expedient rate, not following the Bank rate so closely as hitherto we have done."

This statement of Sir David Salomons shows the direction in which matters were tending in his time.

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Gradually it became a question whether the publication of a fixed rate by the Bank of England had not become as much an anachronism, as a permanently fixed rate was in the year 1844. When a fixed rate was published by the Bank, people could tell at once whether they could get their business done cheaper elsewhere; and in this period of sharp competition, such knowledge is enough of itself to deter them from coming to a Bank, the rate of which they know already. The Bank lost thus that power of delicate adjustment of its position to the precise needs of the moment, which is essential to the maintenance of business. It could not, as it were, feel the pulse of its customers as closely as it could were its rate not advertised; it could not follow as well the distinctions made between one class of paper and another, as it could did a hard and fast rule not exist.

Meanwhile, the competition for bills in the discount market is beyond question most sharp at the present day. Within a period of about twenty years, several joint stock companies have been formed for the purpose of carrying on this class of business, and the number of private firms engaged in it appears also to augment. Various circumstances—the increasing supply of money, the power of dealing by means of telegraphic transfers, and other circumstances—have all tended to limit the supply of bills, which is apparently smaller now in proportion to the supply of money than it was ten or fifteen years since, whilst the competition for those in the market is closer than ever.

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CHAPTER VI.

THE PUBLISHED RATE OF DISCOUNT OF THE BANK OF ENGLAND AND THE RESERVE.

As mentioned in the last chapter, the Bank of England announced in June, 1878, that it would, when occasion required, discount for those of its customers who transacted business exclusively with it, at a rate lower than that advertised as the official rate. One result of this will be for the future that the Bank rate will be less a real guide to the value of money than it has been, since, unless more exact intimation is given, it will be impossible to say how far the published rate is being adhered to. Events have been gradually drifting in this direction for some time past. The outer market, which is compelled to regulate its actions by the strict law of supply and demand, has, on more occasions than one, recognised this fact. Thus, in November, 1877, the metropolitan joint stock banks formally acknowledged that they could not remain bound by the old rule of allowing interest on deposits at "one below Bank rate," and undertook for the time an independent course of action.

But such a proof as the one just mentioned of the inability of the outside market to accept the Bank rate as an index to the real value of money, important as it

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was by way of marking the gradual breaking up of the traditional rule which had governed the English money market generally for years, is of far smaller importance than an official recognition by the Bank directors that the Bank itself can no longer be bound by its own rate. This, or nothing at all, is the outcome of the recent alteration in the practice of the Bank, and since it cannot be supposed that the Bank has announced the alteration, and had to meet the objections which were certain to be made to it, without intending to abide by its decision, and to act upon it, the conclusion appears to be that the Bank rate by itself is distinctly less a guide to the value of money than it used to be.

The system which has thus practically come to an end commenced in the year 1844. Up to that date the Bank rate had been almost always a fixed rate, which for more than a century was never raised above 5 per cent., or allowed to drop below 4. In 1839, a 6 per cent. rate was charged for some little time, but with that exception the old state of matters may be regarded as lasting till 1844, when the establishment of the principle of a rate to fluctuate according to the wants of the market was as great an innovation as the recent decision of the Bank is now. Ancient prestige, actual pre-eminence of capital, the fact that they are the bankers of the Government and the issuers of the only description of notes which are legal tender throughout England and Wales—all these circumstances enabled the Bank to take a position which gave its announcement as to a rate of interest a great if not a preponderating weight. The Bank of England told all the monetary world what it would charge for money, and all the monetary world in degree followed it. Sometimes it has happened that the directors have not been right in their decisions, and have lowered the rate when they should have advanced it, or advanced it or lowered it when they ought to have remained where they were. Sometimes they have worried the market by needless alterations. Thus, to go back only a short period, there were in the year 1873 no fewer than twenty-four changes

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in the Bank rate, that is to say, twenty-four changes in twelve months, and it is difficult to imagine what events can possibly have occurred to justify an alteration in the price of money once a fortnight for a whole year. Again, what may be called an experimental rate has occurred, as in 1871, when 2¼ per cent. was charged for four weeks. Putting, however, these occasions aside, the decision of the directors of the Bank as to the value of money has generally carried great weight with it. In a market so delicately balanced as ours, in which the causes of change are so numerous and often so unexpected, even the best informed must occasionally err. But the directors, as a body, are men of high standing and of much experience, acting with a strong sense of the responsibility of their position, and with considerable opportunities of observing what the demand for money is likely to be. The fixing the rate is indeed one of the portions of the work of carrying on the business of the Bank which such a body of men as the Bank directors are likely to do best. A committee of men with great and varied commercial experiences, fluctuating but slightly from year to year, with a head appointed for two years—which is, broadly speaking, the constitution of the Bank court—is very well constituted to judge of the value of money from day to day. It is not so well constituted to meet the greater difficulties which banking has now-a-days to contend with, and which appear to require that a permanent governor should be appointed to maintain a more complete control over the business of the Bank than can be done by any body of directors, however able and well-selected. But this is not the point immediately under consideration. If the Bank carries out the decision it is understood to have arrived at, and admits that it cannot fix a definite rate for advances, it will hardly be possible to establish any new representative body in London whose resolutions as to the rate to be charged on bills will carry exactly the same weight as the decisions of an independent body, such as the directors of the Bank are.

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The inconvenience, however, of there being no recognised standard for the value of money would be very great. It is far safest for all bankers, and for those who do business with them, that there should be such a standard. Since the Bank has now let it be known that it does not mean to be guided by its own rate at all times, it becomes needful to consider what standard can be established as a substitute for that guidance which will no longer exist exactly in the same form for the future, and who are to take the place of the Bank directors in giving a public notice of the rate. The bankers and bill brokers of the metropolis seem the fittest persons to judge of the value of money, and the decision of a committee appointed by them, and meeting at the Clearing House, to be the best substitute that can be found for the decision of the Bank directors. It should be composed of representatives of both private and joint stock banks. Both classes of banks are engaged in carrying on the same description of business, both appeal to the same public for support, and it is in the highest degree desirable that there should be no division of interest between them. This committee might meet once a week, or when occasion required. But as such a representative body might find it somewhat difficult to agree on a rate to be charged for discounts, and since the conclusions to which they came might not be so readily accepted as authoritative as those of the Bank directors, while at the same time some recognised standard of action will be strongly required, the best course for the Clearing House Committee would be to agree not on the rate to be charged on bills, but on the rate to be allowed on deposits.

Two advantages, in particular, would follow if this plan were completely carried out.

1. Such an arrangement would tend to check any undesirable competition for deposits, and would tend to a uniformity of action between all the bankers of the country generally, and of the metropolis in particular. Both private and joint stock banks would be represented on the committee proposed, and the representa-

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banks, foreign banks, all doing large bu
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tives of both classes of banks would concur in the rate to be recommended. Hitherto, though the practice of allowing interest on deposits is believed to be very general among the private banks, no private bank in London has ever made a public statement of the rate to be allowed. There is much to be said on both sides of the question as to whether the allowing interest on deposits, and the consequent enormous accumulation of money in the hands of banks, is a desirable thing or not; but yet the allowing interest on deposits is become so much the rule that the question is now not whether the practice is or is not a desirable one, but how it can best be regulated for the general advantage. This leads to the second point.

2. Such an arrangement would tend to check an unduly high rate of interest being allowed on deposits. The rate would be known as that which a representative and prudent body of bankers thought it safe to adopt. Any bank deviating from the rule would be bound, as it were, to show cause why it did not follow the example set by such a body of men. The Banking Committee would hardly be likely to recommend an unduly high rate. Such a rate is dangerous for two reasons: the one, because an unduly high rate of interest has a tendency to cause those who allow it to seek unsafe but highly-paying securities; the other, because it has a tendency to cause reserves to be pared down to a minimum. While speaking on this subject, it is as well to mention that at least one bank is understood to have made at no very distant period no profit whatever on the sums it held on deposit for a considerable time. No doubt any bank so circumstanced held other sums belonging to its customers on which no interest was allowed, and from which and its other resources it derived the means of meeting its expenses and paying its dividend. But to have the custody of vast sums with all the attendant risks, without any resulting profit to set against these, cannot be a desirable or a safe thing.

In part the plan proposed here has been carried out.

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A committee, composed of representatives of the metropolitan joint stock banks, meets from time to time, and fixes the rate to be allowed on deposits. It is desirable that this arrangement should be carried further, and that a uniform rate should be arranged at these meetings for all banks.

To conclude, fixing a rate can hardly be separated from the custody of the reserve. The metropolitan joint stock banks might have elected, now that the Bank rate stands in so altered a position, to work without a recognised rate at all. But the inconvenience of such a course would have been so great that they have been compelled to devise the method mentioned above of establishing a recognised standard, which in time may, it is to be hoped, be carried further till it includes all the banks of the country. A further advantage of the method here sketched out would be that it would facilitate the formation of a suitable reserve, which is an adjunct inseparable from the position of the body which has to bear the responsibility of putting forward that rate which is the recognised standard for the rest of the community.

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CHAPTER VII.

SOME OF THE CAUSES WHICH INFLUENCE THE RATE OF INTEREST CHARGED BY THE BANK OF ENGLAND.

A SPECIAL set of tables has been prepared to illustrate the relation between the reserve of the Bank of England and the current rate of interest. These tables, No. II. and No. VI. of the series, give the average minimum rate of discount for each month in the years 1845-1878, and the corresponding averages of the liabilities and the reserve. The average yearly rate also requires some attention. It is given in col. 38 of Table I.

The average rate of interest charged by the Bank has, after having increased, diminished again during recent years. If we divide the period now under consideration into four groups, between the years 1846-1853, 1854-1861, 1862-1869, 1870-1877, we shall find that the averages of the four groups are as follows:—

	£	s.	d.
1846-1853	3	6	3
1854-1861	4	15	5
1862-1869	4	4	8
1870-1877	3	8	5

It is also curious to observe that there is a periodic

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fluctuation from one season of the year to another. The details are as follows:—

Average, Month by Month, of the Rate of Interest Charged by the Bank of England for the Years 1846-53, 1854-1861, 1862-1869, 1870-1877.

Average Rate for the Eight Years, 1846-1853, £3 6s. 3d.	£ s. d.	Average Rate for the Eight Years =100.	Average Rate for the Eight Years, 1854-1861, £4 15s. 5d.	£ s. d.	Average Rate for the Eight Years =100.
January	3 3 11	*96*	January	5 2 8	*106*
February	3 3 9	*96*	February	4 18 6	*103*
March	3 4 9	*96*	March	5 0 9	*105*
April	3 4 7	*97*	April	4 16 4	*101*
May	3 5 0	*98*	May	5 1 11	*106*
June	3 5 3	*98*	June	4 11 8	*96*
July	3 5 0	*98*	July	4 7 10	*92*
August	3 6 3	*100*	August	4 1 2	*87*
September	3 6 7	*100*	September	4 2 5	*85*
October	3 11 3	*107*	October	4 13 11	*99*
November	3 12 4	*109*	November	5 4 11	*110*
December	3 7 7	*102*	December	5 3 5	*108*

Average Rate for the Eight Years, 1862-1869, £4 8s. 8d.	£ s. d.	Average Rate for the Eight Years =100.	Average Rate for the Eight Years, 1870-1877, £3 8s. 5d.	£ s. d.	Average Rate for the Eight Years =100.
January	4 10 2	*106*	January	3 11 2	*104*
February	4 4 5	*99*	February	3 1 1	*89*
March	3 19 3	*93*	March	3 4 1	*94*
April	3 19 3	*93*	April	3 2 9	*91*
May	4 13 9	*111*	May	3 9 11	*102*
June	4 7 10	*104*	June	3 5 10	*96*
July	4 4 5	*99*	July	2 18 10	*86*
August	4 4 6	*99*	August	3 0 1	*88*
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October	4 1 11	*96*	October	4 2 8	*121*
November	4 6 7	*102*	November	4 10 11	*133*
December	4 8 7	*104*	December	3 18 1	*114*

In all the four periods into which this estimate is thus divided, the latter half of the year is the time of the highest charges. This is what we might naturally expect. The autumn and early winter months are the times of greatest business activity. The demands which the home harvest brings are great; the demands which foreign supplies of all kinds entail are more pressing still. The large amounts of produce then coming forward affect the money market; and a deficient har-

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vest (should there be a short supply) usually manifests itself about the third week in October. The shipments of corn also from America generally commence early in September, and intensify up to the middle of November. These causes, and others of a kindred nature which there is no need to specify, account for the autumnal demand. They do not, however, exist in the spring. In the month of May, a corresponding, though slighter, increase of pressure may be observed to that taking place in October, November, and December. The opening of those sources of supply which have been locked up by the severity of the winter probably accounts for a considerable part of the increased demand for money indicated by a rise in its value Some effect also must be assigned to the periodic increase in the Scotch note circulation in the months of May and November. Any increase in that circulation beyond the limits fixed by the legislation of 1844 and 1845 causes an immediate demand on the reserve of the Bank of England for gold. The increase in the Scotch circulation beyond the limit of 1845 did not become very distinctly marked till 1856. It has become very much more considerable of late. It will be observed that the rate in May was for the years 1844-53 but little above that of every other month in the first half of the year. For the years 1870-78 the rate in May was usually higher than in any other month of the first half of the year, except January. The particulars of the Scotch circulation in May, November, and December, for the years 1875-78 are as follows :—

AUTHORISED LIMIT OF SCOTCH BANK NOTE CIRCULATION, £2,749,271.

Average of 1875, *£6,050,909.*

1875.	Actual Circulation. £
15th May	6,096,052
2nd October	6,098,987
30th „	6,238,417
27th November	6,883,326
25th December	6,277,658

Average of 1876, *£6,098,543.*

1876.	£
13th May	6,040,105
28th October	6,174,510
25th November	7,015,743
23rd December	6,614,751

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Average of 1877, *£6,115,859.*

1877.	£
12th May	6,051,550
27th October	6,073,025
24th November	6,755,719
22nd December	6,204,384

Average of 1878, *£5,840,533.*

1878.	£
11th May	5,788,435
26th October	5,788,136
23rd November	6,404,359
21st December	6,200,097

It may be desirable to mention here the causes which lead to these periodic, though temporary, requirements for notes in Scotland.

"The main causes of the increased note issues in May and November are undoubtedly these :—

"1st. The payments of rents and interests on mortgages, which, in Scotland, are almost uniformly made at the half-yearly terms of Whitsuntide (15th May), and Martinmas (11th November).

"2nd. The settlement of all important transactions in heritable property, which are also fixed for the same terms.

"3rd. The payment of household servants' wages, and in many cases salaries at the same period.

"These payments are to a large extent made through the medium of bank notes, and thus they get into hands where they remain for a time, many of the parties who receive the notes having no bank account.

"It is further to be noted :—

"1st. That on the 4th of the month an unusually large amount of bills falls due, and if the 4th happens on a Saturday (the day when the returns are made up) we generally look for a heavier return on that account.

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"2nd. The November returns are usually heavier than those in May, because of the requirements of the harvest, travellers, &c.

"3rd. In the country districts the term-day is in many places regulated by the old style, and thus the payment of farm rents run on into June and December.

"4th. The great increase this year is, no doubt, chiefly owing to the higher scale of wages, particularly in the mining districts, among the most improvident class of working people."

This statement is quoted from a description of the circumstances written in 1872 by a well-known Scotch banker.

It becomes desirable to recapitulate at this point the monthly fluctuations in the rate of discount charged by the Bank of England, and to compare them with the corresponding fluctuations in France and Germany. The rates of the Banks of England, France, and Germany have therefore been tabulated in a similar manner for the years 1846 to 1877, and divided into periods of eight years and of sixteen years. While these tables show a distinct pressure on the Bank of England in May, and in some degree in November, the other Banks do not appear to experience the same influence. The inference seems to be that the Scotch demand in May and November is of sufficient importance to affect the rate of the Bank of England. If we refer to Table II., at pages 31-32, which contains a summary of the monthly averages of the liabilities and reserve of the Bank of England for the years 1845-78, we shall find that the liabilities of the Bank have been on an average at the lowest point in the months of May and November; that the reserve is then comparatively weak, and the proportion of the reserve to the liabilities low likewise. It is probable that there is some connection between the Scotch demand and these circumstances. This is supported by a reference to the returns of the Clearing

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House when tabulated, so as to show the amount of business passing in each month of the year. The particulars from 1868 to 1878 are given in Table V., at the end of this chapter, at pages 64, 65. Those figures certainly do not show any exceptional demand in the months of May and November, and as this is not traceable in the ordinary course of business of this country, or in the rate charged by the banks of the two other countries, the inference is that the fluctuations shown to exist at the Bank of England at those periods are influenced in an appreciable degree by the Scotch demand.

This was noticed as far back as 1856 by Mr. T. M. Weguelin, who was at that time governor of the Bank. Mr. Weguelin observed in a letter to the Chancellor of the Exchequer (Sir G. C. Lewis) on the effect of this demand :—

"Now with regard to the oscillation of the internal circulation of the country, I may notice that there is, periodically, a demand for currency from the Scotch and Irish banks, which, whilst it produces a most sensible effect upon the Bank of England reserve, is uncontrollable by any action of the Bank. At certain periods of the year, especially of the harvest, the demand for currency commonly greatly exceeds the authorised issue; and as the excess must be issued on gold deposited in certain specified places, that gold is withdrawn from the Bank reserve, to be again restored to it when the reflux of the currency of the Scotch and Irish banks takes place, which is usually in the months of December to March. The Scotch banks very generally exceed their authorised aggregate issue; but with the Irish banks, although the aggregate issue is not usually exceeded, yet it often happens that some are in excess, whilst others are under the authorised amount. But as each bank has to provide for its own excess, the demand on the London bullion reserve is as great as if the whole Irish circulation had gone beyond its limit."

The fluctuations in the circulation of notes in Ireland have been rarely so important as to produce a very marked effect in the way of requiring extra sums of gold to cover them since 1857; but, on the other hand, the note circulation in Scotland, and the periodical fluctuations in the same, have undergone a great increase since that date.

It would certainly appear to be desirable to mitigate the influence which these demands of a strictly domestic and home character exert. A better arrangement would

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provide what the existing law does not provide—a real security for the Scotch issues, without allowing these periodic and strictly temporary demands to press so sharply on the central reserve. This point should be attended to, and at the same time security should also be required for the English country note issues. Opinions are sometimes expressed that it would be a desirable thing to take away the rights of issuing notes possessed by some country bankers, and to substitute instead the notes of the Bank of England. It appears, however, that the only result of such a change, under existing circumstances, would be to concentrate the pressure in any time of difficulty, even more than at present, on the reserve of the Bank of England, to increase the fluctuations in the rate of interest, and to cause higher rates to prevail. And there is no doubt that the existing note issues of the country banks, properly secured, and with adequate and special reserves held against them, might be made of greater service than they now are in carrying on the business of the country.

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TABLE IV.—Monthly Averages of Minimum Rate of Discount of Banks of England, France, and Germany for the Eight Years, 1846-53, 1854-61, 1862-69, 1870-77, and for the Sixteen Years, 1846-61, and 1862-77.

Bank of England.

1846–53.				*1854–61.*			
Average Rate of 8 Years, £3 6s. 3d.			Rate of 8 Years =100.	Average Rate of 8 Years, £4 15s. 5d.			Rate of 8 Years =100.
	£	s.	d.		£	s.	d.	
January	3	3	11	*96*	January	5	2	8	*106*
February	3	3	9	*96*	February	4	18	6	*103*
March	3	3	9	*96*	March	5	0	9	*105*
April	3	4	7	*97*	April	4	16	4	*101*
May	3	5	0	*98*	May	5	1	11	*106*
June	3	5	3	*98*	June	4	11	8	*96*
July	3	5	0	*98*	July	4	7	10	*92*
August	3	6	3	*100*	August	4	2	5	*87*
September	3	6	7	*100*	September	4	1	2	*85*
October	3	11	3	*107*	October	4	13	11	*99*
November	3	12	4	*109*	November	5	4	11	*110*
December	3	7	7	*102*	December	5	3	5	*108*

1862–69.				*1870–77.*			
Average Rate of 8 Years, £4 4s. 8d.			Rate of 8 Years =100.	Average Rate of 8 Years, £3 8s. 5d.			Rate of 8 Years =100.
	£	s.	d.		£	s.	d.	
January	4	10	2	*106*	January	3	11	2	*104*
February	4	4	5	*99*	February	3	1	1	*89*
March	3	19	3	*93*	March	3	4	1	*94*
April	3	19	3	*93*	April	3	2	9	*91*
May	4	13	9	*111*	May	3	9	11	*102*
June	4	7	10	*104*	June	3	5	10	*96*
July	4	4	5	*99*	July	2	18	10	*86*
August	4	4	6	*99*	August	3	0	1	*88*
September	3	15	3	*89*	September	2	15	8	*81*
October	4	1	11	*96*	October	4	2	8	*121*
November	4	6	7	*102*	November	4	10	11	*133*
December	4	8	7	*104*	December	3	18	1	*114*

1846-61.				*1862-77.*			
Average Rate of 16 Years, £4 11s. 0d.			Rate of 16 Yrs. =100.	Average Rate of 16 Years, £3 16s. 6d.			Rate of 16 Yrs =100.
	£	s.	d.		£	s.	d.	
January	4	3	3	*103*	January	4	0	8	*105*
February	4	1	1	*100*	February	3	12	9	*95*
March	4	2	3	*102*	March	3	11	8	*93*
April	4	0	6	*99*	April	3	11	0	*93*
May	4	3	6	*103*	May	4	1	10	*107*
June	3	18	5	*97*	June	3	16	10	*100*
July	3	16	5	*94*	July	3	11	8	*94*
August	3	14	4	*92*	August	3	12	3	*94*
September	3	13	11	*91*	September	3	5	5	*85*
October	4	2	7	*102*	October	4	2	3	*107*
November	4	8	8	*109*	November	4	8	9	*116*
December	4	5	6	*105*	December	4	3	4	*109*

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TABLE IV. *Continued.* — **Monthly Averages of Minimum Rate of Bank of France.**

1846–53.

Average Rate of 8 Years, £3 18s. 7d.				Rate of 8 Years =100.
	£	s.	d.	
January	3	19	1	*100*
February	4	0	0	*102*
March	3	17	11	*99*
April	3	17	6	*99*
May	3	17	6	*99*
June	3	17	6	*99*
July	3	17	6	*99*
August	3	17	6	*99*
September	3	17	6	*99*
October	3	19	8	*101*
November	4	0	0	*102*
December	4	1	3	*103*

1854–61.

Average Rate of 8 Years, £4 12s. 0d.				Rate of 8 Years =100.
	£	s.	d.	
January	4	17	0	*105*
February	4	16	5	*105*
March	4	14	4	*102*
April	4	8	9	*96*
May	4	9	9	*97*
June	4	7	4	*95*
July	4	6	3	*94*
August	4	5	4	*93*
September	4	4	9	*92*
October	4	14	10	*103*
November	5	1	0	*110*
December	4	18	3	*107*

1862–69.

Average Rate of 8 Years, £3 15s. 0d.				Rate of 8 Years =100.
	£	s.	d.	
January	4	4	11	*113*
February	3	19	8	*106*
March	3	18	1	*104*
April	3	11	3	*95*
May	3	14	3	*99*
June	3	9	5	*92*
July	3	10	0	*93*
August	3	8	10	*92*
September	3	9	0	*92*
October	3	17	11	*104*
November	4	0	4	*107*
December	3	16	9	*102*

1870–77.

Average Rate of 8 Years, £4 4s. 11d.				Rate of 8 Years =100.
	£	s.	d.	
January	4	8	9	*104*
February	4	7	10	*103*
March	4	5	6	*100*
April	4	2	10	*98*
May	4	2	3	*97*
June	3	18	9	*92*
July	3	19	10	*94*
August	4	4	6	*99*
September	4	5	0	*100*
October	4	6	7	*101*
November	4	9	7	*105*
December	4	7	6	*103*

1846–61.

Average Rate of 16 Years, £4 5s. 3d.				Rate of 16 Yrs. =100.
	£	s.	d.	
January	4	8	0	*103*
February	4	8	3	*103*
March	4	6	1	*101*
April	4	3	1	*97*
May	4	3	8	*98*
June	4	2	5	*97*
July	4	1	10	*96*
August	4	1	5	*95*
September	4	1	1	*95*
October	4	7	3	*102*
November	4	10	6	*106*
December	4	9	9	*105*

1862–77.

Average Rate of 16 Years, £3 19s. 11d.				Rate of 16 Yrs. =100.
	£	s.	d.	
January	4	6	10	*109*
February	3	13	9	*92*
March	4	1	9	*102*
April	3	17	0	*96*
May	3	18	3	*98*
June	3	14	1	*92*
July	3	14	11	*94*
August	3	16	8	*96*
September	3	17	0	*96*
October	4	2	3	*103*
November	4	4	11	*106*
December	4	2	1	*103*

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TABLE IV. *Continued.*—**Monthly Averages of Minimum Rate of Bank of Germany.**

1846–53.

Average Rate of 8 Years, £4 6s. 2d.	£ s. d.	Rate of 8 Years =100.
January	4 7 6	*105*
February	4 6 3	*104*
March	4 4 5	*101*
April	4 5 0	*102*
May	4 5 0	*102*
June	4 5 0	*102*
July	4 7 0	*105*
August	4 6 3	*104*
September	4 5 0	*102*
October	4 7 6	*105*
November	4 7 6	*105*
December	4 7 6	*105*

1854–61.

Average Rate of 8 Years, £4 8s. 8d.	£ s. d.	Rate of 8 Years =100.
January	4 14 2	*106*
February	4 9 4	*101*
March	4 8 5	*100*
April	4 7 6	*99*
May	4 6 6	*97*
June	4 5 0	*96*
July	4 4 0	*95*
August	4 3 3	*94*
September	4 6 8	*98*
October	4 11 5	*103*
November	4 13 6	*105*
December	4 14 10	*107*

1862–69.

Average Rate of 8 Years, £4 12s. 0d.	£ s. d.	Rate of 8 Years =100.
January	4 12 7	*100*
February	4 7 6	*95*
March	4 6 3	*94*
April	4 6 3	*94*
May	4 13 4	*101*
June	4 15 0	*103*
July	4 12 5	*100*
August	4 5 8	*93*
September	4 8 8	*96*
October	4 19 1	*107*
November	4 19 8	*108*
December	4 17 8	*106*

1870–77.

Average Rate of 8 Years, £4 9s. 9d.	£ s. d.	Rate of 8 Years =100.
January	4 16 0	*107*
February	4 0 9	*90*
March	4 0 5	*89*
April	4 2 6	*92*
May	4 6 6	*96*
June	4 4 11	*95*
July	4 11 3	*102*
August	4 12 8	*103*
September	4 9 2	*99*
October	4 18 4	*110*
November	4 17 0	*108*
December	4 17 10	*109*

1846–61.

Average Rate of 16 Years, £4 7s. 5d.	£ s. d.	Rate of 16 Yrs. =100.
January	4 10 0	*104*
February	4 7 9	*100*
March	4 8 5	*101*
April	4 6 3	*99*
May	4 5 9	*98*
June	4 5 0	*97*
July	4 5 6	*98*
August	4 4 9	*97*
September	4 5 10	*98*
October	4 9 5	*102*
November	4 10 6	*103*
December	4 11 2	*104*

1862–77.

Average Rate of 16 Years, £4 10s. 11d.	£ s. d.	Rate of 16 Yrs. =100.
January	4 14 3	*103*
February	4 4 1	*92*
March	4 3 4	*91*
April	4 4 4	*92*
May	4 9 11	*99*
June	4 9 11	*99*
July	4 11 10	*101*
August	4 9 2	*98*
September	4 8 11	*98*
October	4 8 9	*97*
November	4 18 4	*108*
December	4 17 9	*107*

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A SPECIAL set of tables has been prepared to illustrate the relation between the reserve of the Bank of England and the current rate of interest. These tables, No. II. and No. VI. of the series, give the average minimum rate of discount for each month in the years 1845-1878, and the corresponding averages of the liabilities and the reserve. The average yearly rate also requires some attention. It is given in col. 38 of Table I.

The average rate of interest charged by the Bank has, after having increased, diminished again during recent years. If we divide the period now under consideration into four groups, between the years 1846-1853, 1854-1861, 1862-1869, 1870-1877, we shall find that the averages of the four groups are as follows:—

	£	s.	d.
1846-1853	3	6	3
1854-1861	4	15	5
1862-1869	4	4	8
1870-1877	3	8	5

It is also curious to observe that there is a periodic

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fluctuation from one season of the year to another. The details are as follows :—

AVERAGE, MONTH BY MONTH, OF THE RATE OF INTEREST CHARGED BY THE BANK OF ENGLAND FOR THE YEARS 1846-53, 1854-1861, 1862-1869, 1870-1877.

Average Rate for the Eight Years, 1846-1853, £3 6s. 3d.	£ s. d.	Average Rate for the Eight Years =100.	Average Rate for the Eight Years, 1854-1861, £4 15s. 5d.	£ s. d.	Average Rate for the Eight Years =100.
January	3 3 11	*96*	January	5 2 8	*106*
February	3 3 9	*96*	February	4 18 6	*103*
March	3 4 9	*96*	March	5 0 9	*105*
April	3 4 7	*97*	April	4 16 4	*101*
May	3 5 0	*98*	May	5 1 11	*106*
June	3 5 3	*98*	June	4 11 8	*96*
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August	3 6 3	*100*	August	4 1 2	*87*
September	3 6 7	*100*	September	4 2 5	*85*
October	3 11 3	*107*	October	4 13 11	*99*
November	3 12 4	*109*	November	5 4 11	*110*
December	3 7 7	*102*	December	5 3 5	*108*

Average Rate for the Eight Years, 1862-1869, £4 8s. 8d.	£ s. d.	Average Rate for the Eight Years =100.	Average Rate for the Eight Years, 1870-1877, £3 8s. 5d.	£ s. d.	Average Rate for the Eight Years =100.
January	4 10 2	*106*	January	3 11 2	*104*
February	4 4 5	*99*	February	3 1 1	*89*
March	3 19 3	*93*	March	3 4 1	*94*
April	3 19 3	*93*	April	3 2 9	*91*
May	4 13 9	*111*	May	3 9 11	*102*
June	4 7 10	*104*	June	3 5 10	*96*
July	4 4 5	*99*	July	2 18 10	*86*
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November	4 6 7	*102*	November	4 10 11	*133*
December	4 8 7	*104*	December	3 18 1	*114*

In all the four periods into which this estimate is thus divided, the latter half of the year is the time of the highest charges. This is what we might naturally expect. The autumn and early winter months are the times of greatest business activity. The demands which the home harvest brings are great; the demands which foreign supplies of all kinds entail are more pressing still. The large amounts of produce then coming forward affect the money market; and a deficient har-

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Average of 1875, *£6,050,909.*

1875.	Actual Circulation. £
15th May	6,096,052
2nd October	6,098,987
30th „	6,238,417
27th November	6,883,326
25th December	6,277,658

Average of 1876, *£6,098,543.*

1876.	£
13th May	6,040,105
28th October	6,174,510
25th November	7,015,743
23rd December	6,614,751

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Average of 1877, *£6,115,859.*

1877.	£
12th May	6,051,550
27th October	6,073,025
24th November	6,755,719
22nd December	6,204,334

Average of 1878, *£5,840,533.*

1878.	£
11th May	5,788,435
26th October	5,788,136
23rd November	6,404,359
21st December	6,200,097

It may be desirable to mention here the causes which lead to these periodic, though temporary, requirements for notes in Scotland.

"The main causes of the increased note issues in May and November are undoubtedly these :—

"1st. The payments of rents and interests on mortgages, which, in Scotland, are almost uniformly made at the half-yearly terms of Whitsuntide (15th May), and Martinmas (11th November).

"2nd. The settlement of all important transactions in heritable property, which are also fixed for the same terms.

"3rd. The payment of household servants' wages, and in many cases salaries at the same period.

"These payments are to a large extent made through the medium of bank notes, and thus they get into hands where they remain for a time, many of the parties who receive the notes having no bank account.

"It is further to be noted :—

"1st. That on the 4th of the month an unusually large amount of bills falls due, and if the 4th happens on a Saturday (the day when the returns are made up) we generally look for a heavier return on that account.

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"2nd. The November returns are usually heavier than those in May, because of the requirements of the harvest, travellers, &c.

"3rd. In the country districts the term-day is in many places regulated by the old style, and thus the payment of farm rents run on into June and December.

"4th. The great increase this year is, no doubt, chiefly owing to the higher scale of wages, particularly in the mining districts, among the most improvident class of working people."

This statement is quoted from a description of the circumstances written in 1872 by a well-known Scotch banker.

It becomes desirable to recapitulate at this point the monthly fluctuations in the rate of discount charged by the Bank of England, and to compare them with the corresponding fluctuations in France and Germany. The rates of the Banks of England, France, and Germany have therefore been tabulated in a similar manner for the years 1846 to 1877, and divided into periods of eight years and of sixteen years. While these tables show a distinct pressure on the Bank of England in May, and in some degree in November, the other Banks do not appear to experience the same influence. The inference seems to be that the Scotch demand in May and November is of sufficient importance to affect the rate of the Bank of England. If we refer to Table II., at pages 31-32, which contains a summary of the monthly averages of the liabilities and reserve of the Bank of England for the years 1845-78, we shall find that the liabilities of the Bank have been on an average at the lowest point in the months of May and November; that the reserve is then comparatively weak, and the proportion of the reserve to the liabilities low likewise. It is probable that there is some connection between the Scotch demand and these circumstances. This is supported by a reference to the returns of the Clearing

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House when tabulated, so as to show the amount of business passing in each month of the year. The particulars from 1868 to 1878 are given in Table V., at the end of this chapter, at pages 64, 65. Those figures certainly do not show any exceptional demand in the months of May and November, and as this is not traceable in the ordinary course of business of this country, or in the rate charged by the banks of the two other countries, the inference is that the fluctuations shown to exist at the Bank of England at those periods are influenced in an appreciable degree by the Scotch demand.

This was noticed as far back as 1856 by Mr. T. M. Weguelin, who was at that time governor of the Bank. Mr. Weguelin observed in a letter to the Chancellor of the Exchequer (Sir G. C. Lewis) on the effect of this demand :—

"Now with regard to the oscillation of the internal circulation of the country, I may notice that there is, periodically, a demand for currency from the Scotch and Irish banks, which, whilst it produces a most sensible effect upon the Bank of England reserve, is uncontrollable by any action of the Bank. At certain periods of the year, especially of the harvest, the demand for currency commonly greatly exceeds the authorised issue; and as the excess must be issued on gold deposited in certain specified places, that gold is withdrawn from the Bank reserve, to be again restored to it when the reflux of the currency of the Scotch and Irish banks takes place, which is usually in the months of December to March. The Scotch banks very generally exceed their authorised aggregate issue; but with the Irish banks, although the aggregate issue is not usually exceeded, yet it often happens that some are in excess, whilst others are under the authorised amount. But as each bank has to provide for its own excess, the demand on the London bullion reserve is as great as if the whole Irish circulation had gone beyond its limit."

The fluctuations in the circulation of notes in Ireland have been rarely so important as to produce a very marked effect in the way of requiring extra sums of gold to cover them since 1857; but, on the other hand, the note circulation in Scotland, and the periodical fluctuations in the same, have undergone a great increase since that date.

It would certainly appear to be desirable to mitigate the influence which these demands of a strictly domestic and home character exert. A better arrangement would

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provide what the existing law does not provide—a real security for the Scotch issues, without allowing these periodic and strictly temporary demands to press so sharply on the central reserve. This point should be attended to, and at the same time security should also be required for the English country note issues. Opinions are sometimes expressed that it would be a desirable thing to take away the rights of issuing notes possessed by some country bankers, and to substitute instead the notes of the Bank of England. It appears, however, that the only result of such a change, under existing circumstances, would be to concentrate the pressure in any time of difficulty, even more than at present, on the reserve of the Bank of England, to increase the fluctuations in the rate of interest, and to cause higher rates to prevail. And there is no doubt that the existing note issues of the country banks, properly secured, and with adequate and special reserves held against them, might be made of greater service than they now are in carrying on the business of the country.

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TABLE IV.—Monthly Averages of Minimum Rate of Discount of Banks of England, France, and Germany for the Eight Years, 1846-53, 1854-61, 1862-69, 1870-77, and for the Sixteen Years, 1846-61, and 1862-77.

Bank of England.

1846–53.				*1854–61.*			
Average Rate of 8 Years, £3 6s. 3d.			Rate of 8 Years =100.	Average Rate of 8 Years, £4 15s. 5d.			Rate of 8 Years =100.
	£	s.	d.		£	s.	d.	
January	3	3	11	*96*	January	5	2	8	*106*
February	3	3	9	*96*	February	4	18	6	*103*
March	3	3	9	*96*	March	5	0	9	*105*
April	3	4	7	*97*	April	4	16	4	*101*
May	3	5	0	*98*	May	5	1	11	*106*
June	3	5	3	*98*	June	4	11	8	*96*
July	3	5	0	*98*	July	4	7	10	*92*
August	3	6	3	*100*	August	4	2	5	*87*
September	3	6	7	*100*	September	4	1	2	*85*
October	3	11	3	*107*	October	4	13	11	*99*
November	3	12	4	*109*	November	5	4	11	*110*
December	3	7	7	*102*	December	5	3	5	*108*

1862–69.				*1870–77.*			
Average Rate of 8 Years, £4 4s. 8d.			Rate of 8 Years =100.	Average Rate of 8 Years, £3 8s. 5d.			Rate of 8 Years =100.
	£	s.	d.		£	s.	d.	
January	4	10	2	*106*	January	3	11	2	*104*
February	4	4	5	*99*	February	3	1	1	*89*
March	3	19	3	*93*	March	3	4	1	*94*
April	3	19	3	*93*	April	3	2	9	*91*
May	4	13	9	*111*	May	3	9	11	*102*
June	4	7	10	*104*	June	3	5	10	*96*
July	4	4	5	*99*	July	2	18	10	*86*
August	4	4	6	*99*	August	3	0	1	*88*
September	3	15	3	*89*	September	2	15	8	*81*
October	4	1	11	*96*	October	4	2	8	*121*
November	4	6	7	*102*	November	4	10	11	*133*
December	4	8	7	*104*	December	3	18	1	*114*

1846-61.				*1862-77.*			
Average Rate of 16 Years, £4 11s. 0d.			Rate of 16 Yrs. =100.	Average Rate of 16 Years, £3 16s. 6d.			Rate of 16 Yrs =100.
	£	s.	d.		£	s.	d.	
January	4	3	3	*103*	January	4	0	8	*105*
February	4	1	1	*100*	February	3	12	9	*95*
March	4	2	3	*102*	March	3	11	8	*93*
April	4	0	6	*99*	April	3	11	0	*93*
May	4	3	6	*103*	May	4	1	10	*107*
June	3	18	5	*97*	June	3	16	10	*100*
July	3	16	5	*94*	July	3	11	8	*94*
August	3	14	4	*92*	August	3	12	3	*94*
September	3	13	11	*91*	September	3	5	5	*85*
October	4	2	7	*102*	October	4	2	3	*107*
November	4	8	8	*109*	November	4	8	9	*116*
December	4	5	6	*105*	December	4	3	4	*109*

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TABLE IV. *Continued.* — **Monthly Averages of Minimum Rate of Bank of France.**

1846–53.

Average Rate of 8 Years, £3 18s. 7d.		Rate of 8 Years =100.
	£ s. d.	
January	3 19 1	*100*
February	4 0 0	*102*
March	3 17 11	*99*
April	3 17 6	*99*
May	3 17 6	*99*
June	3 17 6	*99*
July	3 17 6	*99*
August	3 17 6	*99*
September	3 17 6	*99*
October	3 19 8	*101*
November	4 0 0	*102*
December	4 1 3	*103*

1854–61.

Average Rate of 8 Years, £4 12s. 0d.		Rate of 8 Years =100.
	£ s. d.	
January	4 17 0	*105*
February	4 16 5	*105*
March	4 14 4	*102*
April	4 8 9	*96*
May	4 9 9	*97*
June	4 7 4	*95*
July	4 6 3	*94*
August	4 5 4	*93*
September	4 4 9	*92*
October	4 14 10	*103*
November	5 1 0	*110*
December	4 18 3	*107*

1862–69.

Average Rate of 8 Years, £3 15s. 0d.		Rate of 8 Years =100.
	£ s. d.	
January	4 4 11	*113*
February	3 19 8	*106*
March	3 18 1	*104*
April	3 11 3	*95*
May	3 14 3	*99*
June	3 9 5	*92*
July	3 10 0	*93*
August	3 8 10	*92*
September	3 9 0	*92*
October	3 17 11	*104*
November	4 0 4	*107*
December	3 16 9	*102*

1870–77.

Average Rate of 8 Years, £4 4s. 11d.		Rate of 8 Years =100.
	£ s. d.	
January	4 8 9	*104*
February	4 7 10	*103*
March	4 5 6	*100*
April	4 2 10	*98*
May	4 2 3	*97*
June	3 18 9	*92*
July	3 19 10	*94*
August	4 4 6	*99*
September	4 5 0	*100*
October	4 6 7	*101*
November	4 9 7	*105*
December	4 7 6	*103*

1846–61.

Average Rate of 16 Years, £4 5s. 3d.		Rate of 16 Yrs. =100.
	£ s. d.	
January	4 8 0	*103*
February	4 8 3	*103*
March	4 6 1	*101*
April	4 3 1	*97*
May	4 3 8	*98*
June	4 2 5	*97*
July	4 1 10	*96*
August	4 1 5	*95*
September	4 1 1	*95*
October	4 7 3	*102*
November	4 10 6	*106*
December	4 9 9	*105*

1862–77.

Average Rate of 16 Years, £3 19s. 11d.		Rate of 16 Yrs. =100.
	£ s. d.	
January	4 6 10	*109*
February	3 13 9	*92*
March	4 1 9	*102*
April	3 17 0	*96*
May	3 18 3	*98*
June	3 14 1	*92*
July	3 14 11	*94*
August	3 16 8	*96*
September	3 17 0	*96*
October	4 2 3	*103*
November	4 4 11	*106*
December	4 2 1	*103*

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TABLE IV. *Continued.*— MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF GERMANY.

1846–53.

Average Rate of 8 Years, £4 6s. 2d.	£ s. d.	Rate of 8 Years =100.
January	4 7 6	*105*
February	4 6 3	*104*
March	4 4 5	*101*
April	4 5 0	*102*
May	4 5 0	*102*
June	4 5 0	*102*
July	4 7 0	*105*
August	4 6 3	*104*
September	4 5 0	*102*
October	4 7 6	*105*
November	4 7 6	*105*
December	4 7 6	*105*

1854–61.

Average Rate of 8 Years, £4 8s. 8d.	£ s. d.	Rate of 8 Years =100.
January	4 14 2	*106*
February	4 9 4	*101*
March	4 8 5	*100*
April	4 7 6	*99*
May	4 6 6	*97*
June	4 5 0	*96*
July	4 4 0	*95*
August	4 3 3	*94*
September	4 6 8	*98*
October	4 11 5	*103*
November	4 13 6	*105*
December	4 14 10	*107*

1862–69.

Average Rate of 8 Years, £4 12s. 0d.	£ s. d.	Rate of 8 Years =100.
January	4 12 7	*100*
February	4 7 6	*95*
March	4 6 3	*94*
April	4 6 3	*94*
May	4 13 4	*101*
June	4 15 0	*103*
July	4 12 5	*100*
August	4 5 8	*93*
September	4 8 8	*96*
October	4 19 1	*107*
November	4 19 8	*108*
December	4 17 8	*106*

1870–77.

Average Rate of 8 Years, £4 9s. 9d.	£ s. d.	Rate of 8 Years =100.
January	4 16 0	*107*
February	4 0 9	*90*
March	4 0 5	*89*
April	4 2 6	*92*
May	4 6 6	*96*
June	4 4 11	*95*
July	4 11 3	*102*
August	4 12 8	*103*
September	4 9 2	*99*
October	4 18 4	*110*
November	4 17 0	*108*
December	4 17 10	*109*

1846–61.

Average Rate of 16 Years, £4 7s. 5d.	£ s. d.	Rate of 16 Yrs. =100.
January	4 10 0	*104*
February	4 7 9	*100*
March	4 8 5	*101*
April	4 6 3	*99*
May	4 5 9	*98*
June	4 5 0	*97*
July	4 5 6	*98*
August	4 4 9	*97*
September	4 5 10	*98*
October	4 9 5	*102*
November	4 10 6	*103*
December	4 11 2	*104*

1862–77.

Average Rate of 16 Years, £4 10s. 11d.	£ s. d.	Rate of 16 Yrs. =100.
January	4 14 3	*103*
February	4 4 1	*92*
March	4 3 4	*91*
April	4 4 4	*92*
May	4 9 11	*99*
June	4 9 11	*99*
July	4 11 10	*101*
August	4 9 2	*98*
September	4 8 11	*98*
October	4 8 9	*97*
November	4 18 4	*108*
December	4 17 9	*107*

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TABLE V.—Bankers' Clearing House Returns, 1868–1878. Arranged so as to Show the Amount of Business Passing Through the Clearing House in each Month of the Year.

1868. Amount of Year, £3,466,045,000. Weekly Average, £65,397,075 = 100.			*1869.* Amount of Year, £3,601,676,000. Weekly Average, £69,263,000 = 100.		
Weekly Average in Months of			Weekly Average in Months of		
	£			£	
January	62,569,200	*96*	January	69,933,000	*101*
February	65,565,750	*100*	February	72,533,500	*105*
March	66,276,000	*101*	March	73,395,400	*106*
April	66,740,600	*102*	April	70,375,000	*101*
May	60,474,500	*92*	May	67,652,000	*98*
June	65,802,750	*100*	June	67,663,000	*98*
July	68,612,800	*105*	July	70,428,500	*102*
August	66,087,000	*101*	August	68,489,000	*99*
September	61,732,400	*94*	September	63,408,000	*92*
October	64,569,500	*99*	October	71,227,750	*103*
November	68,038,250	*104*	November	68,244,000	*98*
December	68,103,000	*104*	December	68,762,600	*99*

1870. Amount of Year, £3,904,825,000. Weekly Average, £75,092,788 = 100.			*1871.* Amount of Year, £4,787,217,000. Weekly Average, £92,061,865 = 100.		
Weekly Average in Months of			Weekly Average in Months of		
	£			£	
January	80,264,750	*107*	January	78,378,250	*85*
February	79,078,250	*105*	February	81,901,750	*89*
March	79,233,800	*106*	March	85,587,600	*93*
April	71,934,000	*96*	April	88,825,000	*96*
May	76,056,500	*101*	May	90,383,000	*98*
June	75,536,600	*101*	June	82,309,000	*89*
July	86,226,250	*115*	July	103,400,000	*112*
August	73,354,200	*98*	August	92,522,000	*100*
September	63,539,750	*85*	September	97,609,250	*106*
October	71,584,750	*95*	October	106,569,250	*116*
November	74,085,800	*99*	November	98,099,800	*107*
December	69,759,000	*93*	December	99,571,250	*108*

1872. Amount of Year, £5,903,720,000. Weekly Average, £113,533,076 = 100.			*1873.* Amount of Year, £6,161,500,000. Weekly Average, £116,254,717 = 100.		
Weekly Average in Months of			Weekly Average in Months of		
	£			£	
January	121,418,800	*107*	January	121,166,800	*104*
February	106,263,250	*93*	February	124,083,250	*107*
March	119,238,750	*105*	March	122,253,000	*105*
April	106,968,750	*94*	April	115,302,400	*99*
May	110,579,600	*97*	May	111,203,000	*96*
June	112,854,250	*99*	June	111,864,250	*96*
July	127,685,600	*112*	July	119,564,400	*103*
August	111,564,000	*98*	August	115,660,000	*100*
September	108,025,750	*95*	September	104,408,250	*90*
October	117,493,000	*103*	October	115,498,000	*100*
November	103,991,000	*91*	November	118,251,500	*102*
December	108,048,250	*95*	December	114,595,800	*98*

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TABLE V. *Continued.*—BANKERS' CLEARING HOUSE RETURNS, 1868–1878. Arranged so as to Show the Amount of Business Passing Through the Clearing House in each Month of the Year.

1874.
Amount of Year, £5,916,195,000.
Weekly Average, £113,771,057 = 100.

Weekly Average in Months of	£	
January	115,069,250	101
February	116,598,000	102
March	116,892,000	103
April	112,515,800	99
May	111,751,000	98
June	115,464,500	101
July	117,503,000	103
August	108,045,500	95
September	116,944,000	103
October	109,564,750	96
November	111,989,000	98
December	111,977,000	98

1875.
Amount of Year, £5,646,993,000.
Weekly Average, £108,734,000 = 100.

Weekly Average in Months of	£	
January	120,393,000	110
February	123,265,000	113
March	120,125,000	110
April	110,022,000	101
May	111,180,000	102
June	107,083,000	99
July	105,108,000	97
August	101,123,000	93
September	101,075,000	93
October	99,905,000	92
November	106,080,000	98
December	99,452,000	92

1876.
Amount of Year, £4,958,963,000.
Weekly Average, £95,479,000 = 100.

Weekly Average in Months of	£	
January	113,179,000	118
February	105,200,000	110
March	100,144,000	105
April	99,104,000	104
May	97,729,000	102
June	82,067,000	86
July	98,854,000	103
August	86,982,000	91
September	85,778,000	90
October	92,366,000	96
November	93,108,000	97
December	91,237,000	95

1877.
Amount of Year, £5,004,991,000.
Weekly Average, £96,249,826 = 100.

Weekly Average in Months of	£	
January	102,107,000	106
February	98,496,000	102
March	99,694,000	104
April	91,762,000	96
May	95,752,000	100
June	94,698,000	98
July	101,247,000	105
August	90,427,000	94
September	91,340,000	95
October	101,204,000	105
November	93,999,000	98
December	93,149,000	97

1878.
Amount of Year, £5,005,248,000.
Weekly Average, £96,254,000 = 100.

Weekly Average in Months of	£	
January	100,805,000	104
February	100,329,000	104
March	104,129,000	108
April	97,087,000	101
May	92,823,000	96
June	100,112,000	104
July	111,209,000	115
August	91,737,000	95
September	91,477,000	95
October	94,132,000	98
November	81,344,000	84
December	86,384,000	90

Weekly Average in Months During the Eleven Years, 1868-78.

Average of Eleven Years, 1868-78, £94,589,319 = 100.

	£	
January	98,207,641	104
February	97,573,977	103
March	98,815,322	104
April	93,694,231	98
May	93,234,872	98
June	92,314,032	97
July	100,894,413	106
August	91,453,654	96
September	89,576,127	94
October	94,919,454	100
November	92,475,486	97
December	91,912,627	97

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CHAPTER VIII.

VARIATIONS IN THE RATE CHARGED BY THE BANK OF ENGLAND FROM 1844 TO 1878.

THOUGH the rate of discount charged by the Bank of England is, perhaps, no longer at the present time so close a guide to the market value of money as it formerly was in years past, yet it is still a most valuable index to the fluctuations in that market, and to the course of monetary affairs generally, and an examination into the variations of the rate charged is a necessary part of an analysis of the transactions of the Bank. The tables which will be found at the end of this chapter have been prepared from sources which may be relied on for their accuracy. Of these tables, the first, No. VI., gives the average rate of discount charged month by month by the Bank of England during the period from 1845 to 1878; it also shows the proportion which the rate charged in each month bore to the average rate of the year. Summary tables, at page 109, show the average monthly rates for the seventeen

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years, 1845-61, 1862-1878, and for the whole period, 1845 to 1878. Table No. VII., pages 78-9, gives at one view a statement of the changes in the Bank rate from the date in 1844, when the Bank Act came into operation, to the close of the year 1878. It gives the number of changes of the rate in each year, and the total number of days at each rate in each year. A supplementary Table, No. XIII., page 110 is added, giving the number of days at each rate, arranged from the lowest rate to the highest; and the number of days at each rate, arranged from the greatest number of days which each rate lasted to the smallest.

These tables thus form, collectively, a kind of rough chart, showing the course which the market value of money has taken during the entire period over which they extend. Some curious information can be gathered from examining them. First, there is the greatest difference, as will be seen at a glance, between the course of business in one year and another. In one year, 1851, no change is marked; in each of the years 1846, 1849, and 1850, there is but one alteration of the rate; in the year 1873 no less than twenty-four changes, one nearly every fortnight, are marked. Next, if we look down the column in the table giving the total number of changes in the Bank rate, we shall be struck with the fact of how much that number has increased. As far down as the year 1860 the changes are comparatively few in number. Yet the period from 1844 to 1859 included two panics, those of 1847 and 1857, both of them of considerable severity. In both of these years, 1847 and 1857, the changes in the Bank rate amounted to nine in number. This was considered in those days an almost unprecedented number of variations. If we exclude these two years, we shall find in the earlier period under observation, namely, that from 1844 to 1860, only two years, 1855 and 1856, in which the number of changes amounted to seven in each; two years besides, 1853 and 1858, in which they were six in number; in one year, 1859, there were five changes; and in the remaining years the number of changes varied

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from one to three; in one year, 1851, there was actually no change whatever recorded. But in the part of the table dealing with the period closer in date to the present time, we shall find that a totally different state of things prevails. If we carry our eyes down this later part of the column we shall find that, with the exception of the year 1862, in which there were five changes, no year from 1860 onwards has less than ten changes recorded as occurring in it, with the exception of those years which, like 1867, 1868, 1869, and again 1876 and 1877, were years of great commercial depression. In one year in recent times, 1873, as mentioned before, no less than twenty-four changes are recorded, and an average of a variation once in every month will be seen to be not an uncommon thing. The year 1879, in which up to the month of April no less than four changes have been announced, may possibly equal many of its predecessors, if the remaining portion of the twelvemonth follows the same course in the rapidity and the greatness of its fluctuations.

Further, if we examine the smaller tables we shall find that during the greater part of the time the rate charged by the Bank has been, comparatively speaking, a low one. Out of 12,535 days under consideration, the Bank rate stood at 3 per cent., or below it, during 6,118—that is to say, during nearly half out of the whole number. And if we take the rates up to 4 per cent. inclusive, which we may call moderate rates, as even 4 per cent. can hardly be called a high rate, we shall find that they comprise two-thirds of the whole. A column has been added to the two smaller tables for facility of comparison, showing the proportionate part of the time which each rate has stood at, reckoning the whole period as equalling 1,000. This column shows us that during more than one-fifth of the whole time a rate of 3 per cent. has been charged, and that rates varying from 4½ per cent. to 10 per cent. have been in force during one-third of the whole period. The whole results may be summarised thus:—From 1844 to 1878, a low rate, from 2 per cent. to 2½ per cent., was charged

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during about one-quarter of the time; a moderate rate, not exceeding 3 per cent., was charged during nearly half the time; a rate not exceeding 4 per cent. was charged during two-thirds of the time; and during one-third of the time a high rate of 4½ per cent. and upwards was charged.

If we look to the larger table again, we shall see a fact expressed very clearly, the force of which every one whose business is to deal in money has experienced during the last few years, namely, that the number of days at the higher rates has been greater in the more recent periods. If we except the panic year, 1847, we shall never find, down to the year 1853 inclusive, the rate exceeding 5 per cent.; and indeed a 5 per cent. rate was then most rarely attained. In those days a 4 per cent. rate was one of unusual severity. In the latter part of the table the higher rates are the more frequent. Though it may have been but for a week, yet during the last nine years the Bank rate has never failed to reach 5 per cent.; even in such a year as 1876, during which the average rate for the year was but little more than half 5 per cent., being only £2 12s. 1d. for the twelvemonth, and in 1877, in which the yearly average was only £2 18s., the same result occurred. Thus also during the last ten years the Bank rate has always stood for some short time at 4 per cent., while during the first ten years under consideration that rate was only reached three times. Yet, again, it is during the more recent years that extremely low rates continuing over long periods of time have prevailed.

If we take the year 1860, again, as a central point for our investigation, we shall find that the Bank rate only dropped to 2 per cent. during two of the years which preceded it, namely, in 1851 and 1853, and in one of those years, 1853, the rate only stood at 2 per cent. for six days. But in eight of the years since 1860, namely, in 1862, 1867, 1868, 1871, 1875, 1876, 1877, and 1878, the Bank rate has stood at 2 per cent., as well as in the present year 1879. Indeed, out of two years just passed, namely, 1876 and 1877, the

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Bank rate has been at 2 per cent. during no less a length of time than 425 days, that is to say, for more than one year out of the two; and in the years 1867 and 1868 the rate was at 2 per cent. for 483 days out of the two years, one year and four months. Therefore, though a very low rate has frequently prevailed during recent years, a very high rate has also been frequently in force. While the fluctuations in the Bank rate of late have been more frequent, they have also been more marked. The variations are thus shown to have been more extreme during the recent periods. Thus, for example, to take instances from the earlier and the later portions of the table, the average rate in 1846 was £3 6s. 6d., but the highest rate in that year was 3½; the average rate in 1875 was lower, being only £3 4s. 8d., but the highest rate reached in that year was 6 per cent., though that rate was only charged during seven days, and 5 per cent. was only charged during an equal length of time. It may be added that the proportion of the reserve of the Bank to its liabilities was very much the same during both these years; it was 42 per cent. in 1846, and 43 per cent. in 1875. Though the variations in the rate have been more frequent of recent years, this cannot fairly be ascribed to the fact that the proportion of the reserve to the liabilities has on an average greatly changed during the period under consideration. Nor can the number of the fluctuations in the rate be ascribed in anything but a very general way to the action of the Bank itself. The Bank has been merely, in a great degree, the passive agent for registering the changes in the value of money which have either actually occurred or have been imminent in the outside market. If the Bank has taken the lead in making any change in the rate, it has generally been because it was obvious that the outside rate would conform to the movement, whether the change was a rise or a fall. There have been periods, no question, when the Bank rate has not been in exact harmony with the market rate. Thus, for instance, in the autumn of 1877, the Bank put its rate up to 5 per

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cent., and kept it there for a period of 49 days, a period of seven weeks, though the market rate did not stand at anything like so high a figure during that time. During this period the Bank was carrying out strictly and honestly one of the most difficult of the important duties with which it is charged, and that is the duty imposed on it through the fact that it is the custodian of the bullion reserve of the country. In the pursuance of this duty the Bank put its rate up, though there was no corresponding disposition to a rise in the outer market, and this action on its part attracted in time sufficient gold to its treasury.

But leaving these exceptional cases on one side, the main point remains, that the fluctuations in the Bank rate represent, broadly speaking, the fluctuations in the market value of money, and further, that these variations tend to increase in number during recent times, and also to become more sharp. As there is no reason for ascribing the fact of these variations to the action of the Bank itself, the reason must be sought in the action of the outside market. Some of the occasions on which high rates have been charged, have been times when bullion has been required for export. Some have been periods when the demand for loanable capital for business purposes has been great. Periods immediately following those years in which great amounts of capital have been set fast, or exported out of the country, are those in which the rates of interest have naturally been high. In 1847 the large sums set fast in the construction of railways, in 1857 the creation of a considerable number of joint stock companies, in both these periods, and in 1866, over-speculation led to the panics which took place at these respective dates. The greater swiftness with which the panic of 1866 came on, when compared with those which preceded it, was due to the same cause as that which has occasioned the greater susceptibility to fluctuation in the value of money in recent years, namely, the vast growth of loanable capital in the country, and of the money held by banks and discount houses, in comparison with the reserve of ready

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money of capital in the form of hard cash which is held against these liabilities. The real reserve in actual cash of the banks of the country is the amount of the reserve held by the Bank of England, and though that reserve has been considerably augmented of late, yet it has not increased in proportion to the demands which may be made upon it. That greater difficulties have not occurred of late years in our banking history is due to the great care taken generally by the Bank of England, which has been careful to adjust its rate in such a manner as to protect the reserve of bullion which it holds. When a demand arises for bullion for exportation without any corresponding demand for loanable capital for discount purposes occurring at the same time, it may become necessary for the Bank to raise the rate which it charges considerably above the market rate in order to protect its reserve. But as the amount of loanable capital outside the Bank of England has till recently increased in a larger proportion than the amount of loanable capital which the Bank holds, it has become more difficult for the Bank to maintain that influence over the market rate which it is needful for it to exert. The more close is the harmony existing between the market rate and the Bank rate the more swiftly is the Bank able to influence the market rate, and thus to regulate the amount of its reserve. The more carefully the business of banking is conducted throughout the country the less will the danger be of those demands which arise through the results of inflation of business and over-trading. The influence which bankers generally can exert over the business of the country is very great, and considering the extreme delicacy of our money market the more needful it is that that influence should be continually exerted on the side of prudence.

This statement will give our readers a clear view of the fluctuations in the rate of interest charged by the Bank of England during the period from 1844 to 1878. We propose in the next two chapters to carry the investigation somewhat further, and to

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examine in some detail into the rates charged by the Bank of France and the Bank of Germany in a similar manner. A table has been added, marked No. XII., at page 109, which shows at one view the fluctuations in the rates of discount charged by the Banks of England, France, and Germany, for the seventeen years, 1845-1861, 1862-1878, and for the thirty-four years, 1845-1878, collectively. This shows at one view what the course of these fluctuations has been. It will be observed that the last quarter in the year is the period of the greatest business activity throughout Europe; but there is a closer correspondence between the fluctuations in the rates charged in France and Germany, as is natural from the conditions under which business is conducted on the Continent, than between the rates charged in those countries and in England.

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TABLE VI.—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND—1844 TO 1878.

1845. Average Rate of Year, £2 13s. 8d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*93*
Feb. ...	2	10	0	*93*
March ..	2	10	0	*93*
April ...	2	10	0	*93*
May ...	2	10	0	*93*
June ...	2	10	0	*93*
July ...	2	10	0	*93*
August.	2	10	0	*93*
Sept. ...	2	10	0	*93*
October	2	15	9	*103*
Nov. ...	3	6	9	*124*
Dec. ...	3	10	0	*130*

1846. Average Rate of Year, £3 6s. 6d.	£	s.	d.	Rate of Year =100.
Jan.....	3	10	0	*105*
Feb. ...	3	10	0	*105*
March ..	3	10	0	*105*
April ...	3	10	0	*105*
May ...	3	10	0	*105*
June ...	3	10	0	*105*
July ...	3	10	0	*105*
August.	3	9	11	*105*
Sept. ...	3	0	0	*90*
October	3	0	0	*90*
Nov. ...	3	0	0	*90*
Dec. ...	3	0	0	*90*

1847. Average Rate of Year, £5 3s. 6d.	£	s.	d.	Rate of Year =100.
Jan.....	3	10	0	*68*
Feb. ...	4	0	0	*77*
March ..	4	0	0	*77*
April ...	4	10	2	*88*
May ...	5	0	0	*97*
June ...	5	0	0	*97*
July ...	5	0	0	*97*
August.	5	10	0	*106*
Sept. ...	5	9	0	*105*
October	6	10	0	*126*
Nov. ...	7	12	4	*147*
Dec. ...	5	18	0	*114*

1848. Average Rate of Year, £3 14s. 5d.	£	s.	d.	Rate of Year =100.
Jan.....	4	19	0	*133*
Feb. ...	4	0	0	*107*
March ..	4	0	0	*107*
April ...	4	0	0	*107*
May ...	4	0	0	*107*
June ...	3	14	0	*99*
July ...	3	10	0	*94*
August.	3	10	0	*94*
Sept. ...	3	10	0	*94*
October	3	10	0	*94*
Nov. ...	2	19	9	*80*
Dec. ...	3	0	0	*80*

1849. Average Rate of Year, £2 18s. 7d.	£	s.	d.	Rate of Year =100.
Jan.....	3	0	0	*102*
Feb. ...	3	0	0	*102*
March ..	3	0	0	*102*
April ...	3	0	0	*102*
May ...	3	0	0	*102*
June ...	3	0	0	*102*
July ...	3	0	0	*102*
August.	3	0	0	*102*
Sept. ...	3	0	0	*102*
October	3	0	0	*102*
Nov. ...	2	16	5	*96*
Dec. ...	2	10	0	*85*

1850. Average Rate of Year, £2 10s. 1d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*100*
Feb. ...	2	10	0	*100*
March ..	2	10	0	*100*
April ...	2	10	0	*100*
May ...	2	10	0	*100*
June ...	2	10	0	*100*
July ...	2	10	0	*100*
August.	2	10	0	*100*
Sept. ...	2	10	0	*100*
October	2	10	0	*100*
Nov. ...	2	10	0	*100*
Dec. ...	2	12	7	*105*

1851. Average Rate of Year, £3 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	3	0	0	*100*
Feb. ...	3	0	0	*100*
March ..	3	0	0	*100*
April ...	3	0	0	*100*
May ...	3	0	0	*100*
June ...	3	0	0	*100*
July ...	3	0	0	*100*
August.	3	0	0	*100*
Sept. ...	3	0	0	*100*
October	3	0	0	*100*
Nov. ...	3	0	0	*100*
Dec. ...	3	0	0	*100*

1852. Average Rate of Year, £2 3s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*116*
Feb. ...	2	10	0	*116*
March ..	2	10	0	*116*
April ...	2	6	7	*108*
May ...	2	0	0	*93*
June ...	2	0	0	*93*
July ...	2	0	0	*93*
August.	2	0	0	*93*
Sept. ...	2	0	0	*93*
October	2	0	0	*93*
Nov. ...	2	0	0	*93*
Dec. ...	2	0	0	*93*

1853. Average Rate of Year, £3 13s. 10d.	£	s.	d.	Rate of Year =100.
Jan.....	2	12	7	*71*
Feb. ...	3	0	0	*81*
March ..	3	0	0	*81*
April ...	3	0	0	*81*
May ...	3	0	0	*81*
June ...	3	8	0	*92*
July ...	3	10	0	*95*
August.	3	10	0	*95*
Sept. ...	4	4	0	*114*
October	5	0	0	*135*
Nov. ...	5	0	0	*135*
Dec. ...	5	0	0	*135*

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TABLE VI. *Continued*—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND.

1854.	Average Rate of Year, £5 2s. 3d.	Rate of Year =100.	*1855.*	Average Rate of Year, £4 17s. 10d.	Rate of Year =100.	*1856.*	Average Rate of Year, £6 1s. 2d.	Rate of Year =100.
	£ s. d.			£ s. d.			£ s. d.	
Jan.....	5 0 0	*98*	Jan.....	5 0 0	*102*	Jan.....	7 0 0	*115*
Feb. ...	5 0 0	*98*	Feb. ...	5 0 0	*102*	Feb. ...	7 0 0	*115*
March ..	5 0 0	*98*	March ..	5 0 0	*102*	March ..	7 0 0	*115*
April ...	5 0 0	*98*	April ...	4 10 5	*93*	April ...	7 0 0	*115*
May ...	5 8 0	*106*	May ...	4 10 0	*92*	May ...	6 15 0	*111*
June ...	5 10 0	*108*	June ...	3 18 0	*80*	June ...	4 17 0	*80*
July ...	5 10 0	*108*	July ...	3 10 0	*71*	July ...	4 10 0	*74*
August.	5 2 9	*101*	August.	3 10 0	*71*	August.	4 10 0	*74*
Sept. ...	5 0 0	*98*	Sept. ...	4 3 6	*85*	Sept. ...	4 10 0	*74*
October	5 0 0	*98*	October	6 3 6	*126*	October	6 10 0	*107*
Nov. ...	5 0 0	*98*	Nov. ...	7 0 0	*143*	Nov. ...	7 0 0	*115*
Dec. ...	5 0 0	*98*	Dec. ...	7 0 0	*143*	Dec. ...	6 9 7	*107*

1857.	Average Rate of Year, £6 13s. 3d.	Rate of Year =100.	*1858.*	Average Rate of Year, £3 4s. 7d.	Rate of Year =100.	*1859.*	Average Rate of Year, £2 14s. 7d.	Rate of Year =100.
	£ s. d.			£ s. d.			£ s. d.	
Jan.....	6 0 0	*90*	Jan.....	5 18 2	*183*	Jan.....	2 10 0	*91*
Feb. ...	6 0 0	*90*	Feb. ...	3 0 0	*93*	Feb. ...	2 10 0	*91*
March ..	6 0 0	*90*	March ..	3 0 0	*93*	March ..	2 10 0	*91*
April ...	6 7 5	*95*	April ...	3 0 0	*93*	April ...	2 10 2	*91*
May ...	6 10 0	*97*	May ...	3 0 0	*93*	May ...	4 8 6	*162*
June ...	6 4 5	*93*	June ...	3 0 0	*93*	June ...	3 3 7	*116*
July ...	5 17 5	*88*	July ...	3 0 0	*93*	July ...	2 15 6	*103*
August.	5 10 0	*82*	August.	3 0 0	*93*	August.	2 10 0	*91*
Sept. ...	5 10 0	*82*	Sept. ...	3 0 0	*93*	Sept. ...	2 10 0	*91*
October	6 18 0	*103*	October	3 0 0	*93*	October	2 10 0	*91*
Nov. ...	9 8 0	*141*	Nov. ...	3 0 0	*93*	Nov. ...	2 10 0	*91*
Dec. ...	9 14 5	*146*	Dec, ...	2 13 9	*83*	Dec. ...	2 10 0	*91*

1860.	Average Rate of Year, £4 3s. 7d.	Rate of Year =100.	*1861.*	Average Rate of Year, £5 5s. 4d.	Rate of Year =100.	*1862.*	Average Rate of Year, £2 10s. 7d.	Rate of Year =100.
	£ s. d.			£ s. d.			£ s. d.	
Jan.....	2 15 0	*66*	Jan.....	6 18 0	*131*	Jan.....	2 13 9	*106*
Feb. ...	4 0 0	*96*	Feb. ...	6 18 0	*131*	Feb. ...	2 10 0	*99*
March ..	4 0 0	*96*	March ..	7 16 3	*148*	March ..	2 10 0	*99*
April ...	4 14 7	*113*	April ...	5 8 3	*103*	April ...	2 10 0	*99*
May ...	4 12 5	*110*	May ...	5 11 7	*106*	May ...	2 13 9	*106*
June ...	4 0 0	*96*	June ...	6 0 0	*114*	June ...	3 0 0	*119*
July ...	4 0 0	*96*	July ...	6 0 0	*114*	July ...	2 12 1	*103*
August.	4 0 0	*96*	August.	4 16 7	*91*	August.	2 0 0	*79*
Sept. ...	4 0 0	*96*	Sept. ...	3 15 9	*72*	Sept. ...	2 0 0	*79*
October	4 0 0	*96*	October	3 10 0	*66*	October	2 1 3	*81*
Nov. ...	5 0 3	*120*	Nov. ...	3 1 5	*58*	Nov. ...	3 0 0	*119*
Dec. ...	4 19 9	*119*	Dec. ...	3 0 0	*57*	Dec. ...	3 0 0	*119*

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TABLE VI. *Continued*—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND.

1863. Average Rate of Year, £4 8s. 2d.				Rate of Year =100.	*1864.* Average Rate of Year, £7 8s. 0d.				Rate of Year =100.	*1865.* Average Rate of Year, £4 15s. 4d.				Rate of Year =100.
	£	s.	d.			£	s.	d.			£	s.	d.	
Jan.....	3	13	6	*83*	Jan.....	7	9	9	*101*	Jan.....	5	14	2	*119*
Feb. ...	4	6	0	*97*	Feb. ...	6	18	0	*93*	Feb. ...	5	0	0	*105*
March ..	4	0	0	*91*	March ..	6	0	0	*81*	March...	4	12	2	*97*
April ...	3	16	7	*87*	April ...	6	7	6	*86*	April ...	4	0	0	*84*
May ...	3	9	5	*79*	May ...	8	7	5	*113*	May ...	4	8	0	*92*
June ...	4	0	0	*91*	June ...	6	8	9	*87*	June ...	3	4	0	*67*
July ...	4	0	0	*91*	July ...	6	6	0	*85*	July ...	3	2	5	*65*
August.	4	0	0	*91*	August.	8	0	2	*108*	August.	4	0	5	*84*
Sept. ...	4	0	0	*91*	Sept. ...	8	12	0	*116*	Sept. ...	3	19	7	*83*
October	4	0	0	*91*	October	9	0	0	*121*	October	6	14	0	*141*
Nov. ...	5	13	9	*129*	Nov. ...	8	0	2	*108*	Nov. ...	6	16	3	*143*
Dec. ...	7	15	0	*176*	Dec. ...	6	12	0	89	Dec. ...	6	4	2	*130*

1866. Average Rate of Year, £6 19s. 0d.				Rate of Year =100.	*1867.* Average Rate of Year, £2 10s. 9d.				Rate of Year =100.	*1868.* Average Rate of Year, £2 1s. 11d.				Rate of Year =100.
	£	s.	d.			£	s.	d.			£	s.	d.	
Jan.....	8	0	2	*115*	Jan.....	3	10	0	*138*	Jan.....	2	0	0	*95*
Feb. ...	7	3	7	*103*	Feb. ...	2	17	7	*113*	Feb. ...	2	0	0	*95*
March ..	6	12	0	*95*	March ..	3	0	0	*118*	March ..	2	0	0	*95*
April ...	6	0	0	*86*	April ...	3	0	0	*118*	April ...	2	0	0	*95*
May ...	9	1	2	*130*	May ...	3	0	9	*119*	May ...	2	0	0	*95*
June ...	10	0	0	*144*	June ...	2	10	0	*98*	June ...	2	0	0	*95*
July ...	10	0	0	*144*	July ...	2	9	0	*96*	July ...	2	0	0	*95*
August.	8	18	0	*128*	August.	2	0	0	*79*	August.	2	0	0	*95*
Sept. ...	5	1	5	*73*	Sept. ...	2	0	0	*79*	Sept. ...	2	0	0	*95*
October	4	10	0	*65*	October	2	0	0	*79*	October	2	0	0	*95*
Nov. ...	4	1	7	*59*	Nov. ...	2	0	0	*79*	Nov. ...	2	3	0	*103*
Dec. ...	3	17	9	*56*	Dec. ...	2	0	0	*79*	Dec. ...	3	0	0	*143*

1869. Average Rate of Year, £3 4s. 2d.				Rate of Year =100.	*1870.* Average Rate of Year, £3 2s. 0d.				Rate of Year =100.	*1871.* Average Rate of Year, £2 17s. 8d.				Rate of Year =100.
	£	s.	d.			£	s.	d.			£	s.	d.	
Jan.....	3	0	0	*93*	Jan.....	3	0	0	*97*	Jan.....	2	10	0	*87*
Feb. ...	3	0	0	*93*	Feb. ...	3	0	0	*97*	Feb. ...	2	10	0	*87*
March ..	3	0	0	*93*	March ..	3	0	0	*97*	March ..	3	0	6	*104*
April ...	4	0	0	*125*	April ...	3	0	0	*97*	April ...	2	13	6	*93*
May ...	4	9	9	*140*	May ...	3	0	0	*97*	May ...	2	10	0	*87*
June ...	4	0	0	*125*	June ...	3	0	0	*97*	June ...	2	6	7	*80*
July ...	3	6	0	*103*	July ...	3	9	2	*111*	July ...	1	14	7	*60*
August.	2	17	5	*89*	August.	5	2	7	*165*	August.	2	0	0	*69*
Sept. ...	2	10	0	*78*	Sept. ...	3	1	6	*99*	Sept. ...	2	6	7	*81*
October	2	10	0	*78*	October	2	10	0	*81*	October	5	9	0	*189*
Nov. ...	2	17	9	*90*	Nov. ...	2	10	0	*81*	Nov. ...	4	9	3	*154*
Dec. ...	3	0	0	*93*	Dec. ...	2	10	0	*81*	Dec. ...	3	5	9	*114*

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TABLE VI. *Continued*—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND.

1872.	Average Rate of Year, £4 2s. 0d.	Rate of Year =100.	*1873.*	Average Rate of Year, £4 15s. 10d.	Rate of Year =100.	*1874.*	Average Rate of Year, £3 13s. 10d.	Rate of Year =100.
	£ s. d.			£ s. d.			£ s. d.	
Jan.....	3 0 0	*73*	Jan.....	4 11 9	*96*	Jan.....	3 18 9	*106*
Feb. ...	3 0 0	*73*	Feb. ...	3 10 0	*73*	Feb. ...	3 10 0	*95*
March ..	3 0 0	*73*	March ..	3 13 0	*76*	March ..	3 10 0	*95*
April ...	3 14 0	*90*	April ...	4 0 0	*83*	April ...	3 10 0	*95*
May ...	4 15 3	*116*	May ...	5 5 3	*110*	May ...	4 0 5	*109*
June ...	3 10 0	*85*	June ...	6 3 7	*129*	June ...	2 16 5	*76*
July ...	3 5 3	*79*	July ...	5 1 7	*106*	July ...	2 10 9	*69*
August.	3 10 0	*85*	August.	3 7 11	*71*	August.	3 13 0	*99*
Sept. ...	3 14 3	*90*	Sept. ...	3 2 10	*65*	Sept. ...	3 0 0	*81*
October	5 14 9	*140*	October	6 1 5	*127*	October	3 11 7	*97*
Nov. ...	6 9 9	*158*	Nov. ...	8 2 0	*169*	Nov. ...	4 8 2	*119*
Dec. ...	5 9 9	*133*	Dec. ...	4 17 7	*102*	Dec. ...	6 0 0	*163*

1875.	Average Rate of Year, £3 4s. 8d.	Rate of Year =100.	*1876.*	Average Rate of Year, £2 12s. 1d.	Rate of Year =100.	*1877.*	Average Rate of Year, £2 18s. 0d.	Rate of Year =100.
	£ s. d.			£ s. d.			£ s. d.	
Jan.....	4 13 5	*144*	Jan.....	4 15 3	*183*	Jan.....	2 0 0	*69*
Feb. ...	2 18 7	*90*	Feb. ...	4 0 0	*154*	Feb. ...	2 0 0	*69*
March ..	3 10 0	*108*	March ..	3 19 0	*152*	March ..	2 0 0	*69*
April ...	3 10 0	*108*	April ...	2 14 6	*104*	April ...	2 0 0	*69*
May ...	3 10 0	*108*	May ...	2 0 0	*77*	May ...	2 19 0	*102*
June ...	3 10 0	*108*	June ...	2 0 0	*77*	June ...	3 0 0	*103*
July ...	3 2 11	*97*	July ...	2 0 0	*77*	July ...	2 6 3	*79*
August.	2 4 7	*69*	August.	2 0 0	*77*	August.	2 2 6	*73*
Sept. ...	2 0 0	*62*	Sept. ...	2 0 0	*77*	Sept. ...	3 0 0	*103*
October	3 2 11	*97*	October	2 0 0	*77*	October	4 12 0	*158*
Nov. ...	3 11 0	*110*	Nov. ...	2 0 0	*77*	Nov. ...	4 17 9	*168*
Dec. ...	3 1 10	*96*	Dec. ...	2 0 0	*77*	Dec. ...	4 0 0	*138*

1878.	Average Rate of Year, £3 15s. 8d.	Rate of Year =100.	*1845-78.*	Average Rate of 34 Years, £3 17s. 9d.	Rate of 34 Yrs =100.
	£ s. d.			£ s. d.	
January	3 6 6	*88*	January	4 0 6	*103*
February	2 0 0	*53*	February	3 15 0	*96*
March	2 3 6	*57*	March	3 15 2	*96*
April.....	3 0 0	*79*	April.....	3 14 6	*95*
May	3 0 6	*80*	May	4 1 1	*104*
June	2 10 6	*67*	June	3 15 11	*98*
July	3 16 3	*101*	July	3 13 4	*94*
August.....	4 14 0	*125*	August.....	3 13 2	*94*
September	5 0 0	*133*	September	3 10 0	*90*
October	5 13 0	*151*	October.....	4 2 6	*105*
November	5 11 9	*149*	November	4 8 8	*114*
December.....	5 0 0	*133*	December.....	4 4 5	*108*

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TABLE VII.—BANK OF ENGLAND

TABLE OF THE CHANGES IN THE RATE OF DISCOUNT CHARGED BY THE YEAR, SINCE 1ST SEPTEMBER, 1844 (when the Bank

Years.	Number of Changes.			2 %	2½ %	2¾ %	3 %	3½ %	4 %
	Rise.	Fall.	Total.	Days.	Days.	Days.	Days.	Days.	Days.
1844	...	1	1	...	...	117	...	...	...
1845	2	...	2	...	...	289	21	55	...
1846	...	1	1	...	...	...	126	239	...
1847	6	3	9	...	...	...	14	7	177
1848	...	3	3	...	...	...	59	140	40
1849	...	1	1	...	...	39	326	...	...
1850	1	...	1	...	...	360	5	...	...
1851	...	...	...	...	...	...	365	...	...
1852	...	2	2	253	...	113	...	...	...
1853	6	...	6	6	...	14	133	91	14
1854	1	1	2	...	...	...	...	...	...
1855	4	4	8	...	...	...	...	84	7
1856	2	5	7	...	...	...	...	...	...
1857	6	3	9	...	...	...	...	...	...
1858	...	6	6	...	...	22	301	7	7
1859	2	3	5	...	...	288	35	14	...
1860	8	3	11	...	...	19	12	...	226
1861	3	8	11	...	...	...	54	49	21
1862	2	3	5	98	...	147	120	...	...
1863	8	4	12	...	...	...	31	12	241
1864	7	8	15	...	...	...	...	...	...
1865	8	8	16	...	...	...	42	21	98
1866	5	9	14	...	...	...	...	11	42
1867	...	3	3	159	...	56	112	38	...
1868	2	...	2	324	...	14	28	...	...
1869	3	4	7	...	...	77	183	21	49
1870	4	6	10	...	...	93	223	9	12
1871	4	6	10	70	28	124	66	14	23
1872	9	5	14	...	...	...	123	76	50
1873	11	13	24	...	...	...	35	76	61
1874	6	7	13	...	...	42	70	119	81
1875	5	7	12	56	...	21	84	147	43
1876	1	4	5	255	...	...	14	14	62
1877	4	3	7	170	...	7	100	...	39
1878	6	4	10	56	...	28	91	28	21
	126	138	264	1,447	28	1,870	2,773	1,272	1,314

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MINIMUM RATE OF DISCOUNT, 1844–78.
BANK OF ENGLAND, AND THE NUMBER OF DAYS AT EACH RATE IN EACH Act came into Operation), TO DECEMBER 31ST, 1878.

4½ %	5 %	5½ %	6 %	6½ %	7 %	8 %	9 %	10 %	Total.	Years.
Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	
...	...	...	...	...	...	...	...	...	117	1844
...	...	...	...	...	...	...	...	...	365	1845
...	...	...	...	...	...	...	...	...	365	1846
...	127	56	46	...	10	28	...	...	365	1847
...	27	...	...	...	...	...	...	...	366	1848
...	...	...	...	...	...	...	...	...	365	1849
...	...	...	...	...	...	...	...	...	365	1850
...	...	...	...	...	...	...	...	...	365	1851
...	...	...	...	...	...	...	...	...	366	1852
14	93	...	...	...	...	...	...	...	365	1853
...	281	84	...	...	...	...	...	...	365	1854
84	102	14	...	...	74	...	...	...	365	1855
98	35	...	20	14	199	...	...	...	366	1856
...	...	84	127	77	4	24	4	45	365	1857
...	14	...	7	...	...	7	...	...	365	1858
28	...	...	...	...	...	...	...	...	365	1859
33	63	...	13	...	...	...	...	...	366	1860
14	49	...	91	...	52	35	...	...	365	1861
...	...	...	...	...	...	...	...	...	365	1862
...	25	...	27	...	8	21	...	...	365	1863
...	...	...	106	...	102	81	77	...	366	1864
52	39	14	49	...	50	...	...	...	365	1865
42	21	...	56	...	37	59	1	96	365	1866
...	...	...	...	...	...	...	...	...	365	1867
...	...	...	...	...	...	...	...	...	366	1868
35	...	...	...	...	...	...	...	...	365	1869
7	7	7	7	...	...	...	...	...	365	1870
...	40	...	...	...	...	...	...	...	365	1871
7	47	...	44	...	19	...	...	...	366	1872
43	45	...	57	...	22	13	13	...	365	1873
8	14	...	31	...	...	...	...	...	365	1874
...	7	...	7	...	...	...	...	...	365	1875
...	21	...	...	...	...	...	...	...	366	1876
...	49	...	...	...	...	...	...	...	365	1877
...	104	...	37	...	...	...	...	...	365	1878
465	1,210	259	725	91	577	268	95	141	12,535	

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CHAPTER IX.

VARIATIONS IN THE RATE CHARGED BY THE BANK OF FRANCE FROM 1844 TO 1878.

THE last chapter contained a table of the variations in the rate of discount charged by the Bank of England from the date when the Act of 1844 came into force to the present time. That date was selected as the starting point of the inquiry, because before that period it had scarcely been the custom of the Bank of England to make any variation at all in its rate. On some occasions, particularly in 1839, a higher rate was sometimes charged, but the regular Bank rate was 4 per cent. The market rate might be something very different, but the Bank did not concern itself with that. If the market rate was as high or higher than the Bank rate, the Bank was resorted to for discount purposes; but if the market rate was lower, the Bank did not reduce its rate accordingly. Earlier than the date from which that table starts—September 5th, 1844—the rate charged by the Bank of England is no guide to the market rate, and hence it was of no service to pursue the investigation further back than that time.

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The same date has been taken in the table of the variations of the rate of the Bank of France, which accompanies this chapter, in order to facilitate comparison between the operations of the two banks.

The tables prepared for this purpose correspond exactly with those relating to the Bank of England. The first Table, No. VIII., gives the average rate of discount charged month by month by the Bank of France during the period from 1845 to 1877; it also shows the proportion which the rate charged in each month bore to the average rate of the year. A summary Table, page 109, shows the average monthly rates for the seventeen years, 1845-61, 1862-1878, and for the whole period, 1845-78. Table No. IX. gives the number of changes of the rate in each year, and the total number of days at each rate in each year. A supplementary Table, No. XIII., page 110 shows the number of days at each rate, arranged from the lowest rate to the highest, and the number of days at each rate arranged from the greatest number of days which each rate lasted to the smallest.

Before commencing this comparison, it will be desirable to give some description of the organisation of the Bank of France. The direction of the bank consists of the following persons:—First, there is a governor and two sub-governors; all these three are nominated by the Government, and are understood to be removable at its pleasure, but this power, as a matter of fact, is not exercised. Then there are fifteen directors, who are elected by the proprietors. Three of these directors must be selected from the class of the receivers-general, who are connected with the Government, and the management of the taxes of the country. The *receveurs-général*, or *trésoriers payeurs-général*, as they are most properly called, are the Government or Treasury Agents in the Departments. Five of the twelve remaining directors must be taken from the merchants, manufacturers, and leading business men in Paris. Besides these there are the three censors, who must be chosen from among the men engaged in business and manufactures, and who thus specially represent the

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manufactures and the industry of Paris. The governor, the two sub-governors, and the fifteen directors, form the general council. Nothing is done without the presence and the surveillance of the censors, but they have not the right to vote, though they may speak and place their opinions on the minutes of the deliberations. Great part of the detail of the management rests with the two sub-governors, but the directors have the right to decide and vote on any measure which may come before them. The directors are understood to be rather checks on the two sub-governors than to be the actual managers of the business themselves. The system is understood to work well in practice, and the mixture of the more permanent portion of the governing body, which is selected by the Government, with the portion which is selected by the shareholders themselves, is an advantage in enabling a regular system of management to be steadily carried out from year to year. The Bank of France had at the date of its report in 1878, 86 branches situated in all the principal cities and towns of the country. Some of these branches carry on a very large business, and the amount of the business done by them in the aggregate considerably exceeds that done by the head office at Paris. Some of the branches, however, are small. It was mentioned in the report for 1878 that no fewer than 41 of them were carried on at a loss. Some of these branches had been but recently established; they give collectively very valuable assistance to the trade of the country; and it is certain that without them the position of the bank would be very inferior to that which it holds at the present time. The best description, perhaps, which can be given of the mode in which the business of the bank is carried on is to be found in the evidence given by M. Rouland, the late governor of the bank, before the "Enquête sur les principes et les faits généraux qui régissent la circulation monétaire et fiduciaire," held in Paris in 1865. M. Rouland, in describing the organisation of the governing body of the bank, stated that it consisted of two perfectly distinct elements, being, one, the portion

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chosen by the State, and the other chosen by the shareholders. The persons chosen by the State, namely, the governor and the two sub-governors, are, according to M. Rouland's words, bound to see that the business of the bank is carried on for the public advantage. It is their duty to see that the statutes of the bank are not overstepped, and that the interests of trade and commerce are attended to. It is from them that the proposals to raise or to lower the rate of interest appear almost invariably to proceed. M. Rouland's description was as follows :—"Nothing of any description which concerns the great interests of the public, nothing which concerns the larger duties which the bank has to perform towards commerce and industry, nothing of all that class of business belongs to, or is left to the discretion of what he called the interested party." By this M. Rouland understood that portion of the governing body which directly represented the shareholders.

"This is a guarantee," M. Rouland continued, "which ought, of itself, to satisfy any who have any doubts on the subject. Does the public know it? Are the public aware that during sixty-two years it has not perhaps happened twice that the council has had to propose that the rate of discount should be raised or lowered? Does the public know that it is always the active element of the Government, which, watching vigilantly over the public interest, has made the proposition?" M. Rouland proceeded to say that the two portions of the governing body have always worked together in the most perfect harmony, and that in this harmony of the two portions of the governing body the security of the institution consists. M. Rouland spoke, and with a just sense of pride, of the part which the Bank of France had always taken in developing the commerce and industry of that country. Opinions have, however, been occasionally expressed that the commercial element is not sufficiently represented in the general council of management of the bank, and that it would be desirable to choose a greater number of representatives of various branches of business to form part of the direction.

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This opinion is referred to here, but it is only right to add that the Bank of France has for many years appeared to carry on its business with great intelligence and judgment in many of the most essential points, and in particular its management during the period of suspension of specie payments in France, a period of the greatest difficulty, was a brilliant example of what the conduct of a bank should be under exceptionally trying circumstances.

The business of banking has not, it must be remembered, hitherto reached in France anything like the same proportions which it has done in Great Britain and Ireland. There are very few banks in France at all to be compared with the larger banks of England, Scotland, and Ireland. The "Comptoir d'Escompte," the "Credit Lyonnais," and the "Société Générale," and a few others, principally in the larger towns, obtain doubtless their share of the business—but no bank in France possesses anything like the organisation of the Bank of France, and its position is in this respect a very different one from that of the Bank of England.

The amounts of the balances kept by other banks with the Bank of France have never been published in the same manner as those kept by the London bankers with the Bank of England, and hence it is not possible to speak on the subject with the same certainty; but it is not likely that they approach anything like the same sums. From both these reasons, and from the general circumstances of the trade of the country, the Bank of France is not exposed to anything like the same sudden demands as the Bank of England. The current of commercial activity in France, flows with a very different and more equable course than in England. A country which depends so greatly on agriculture as France, where manufactures, commerce, and trade with other countries fill relatively so much smaller a space in the general activity of the people than in England, will always be likely to follow a more undisturbed course in the way of business than is, or can be, the case here. There are much fewer causes to lead to

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the vast demands for bullion for export which occasionally operate so suddenly and so powerfully on our market. The sums on deposit with banks in France are, beyond question, both smaller in proportion to the numbers and to the general wealth of the population than in England, and they are also more generally deposited for longer periods than with us, and are much less likely to be suddenly required to be repaid. All these circumstances unite in causing the demands on the Bank of France to be of a totally different description from the demands on the Bank of England, and it is only natural to find that this difference is reflected in the variations of the rate of interest charged by the two banks. The average rate of discount charged by the Bank of France has been rather higher than that charged by the Bank of England for the period under consideration, but the duration of extremely high rates has been much shorter. Thus, the rate of the Bank of France has been oftener at 4 per cent. during the period under notice than at any other rate, and next to that rate 5 per cent. shows the highest proportion. A firm which had done business with the Bank of England would have been able to have its bills discounted at 3 and 2½ per cent. for fully an equal length of time as it would have been charged 4 per cent. by the Bank of France. The rate ruled at 3 per cent. for 2,773 days with the Bank of England, while it only stood at that rate for 1,594 days with the Bank of France, and while the Bank of England has charged 2 per cent. for 1,447 days, the same rate was charged by the Bank of France for 559 days only. But in the highest rates of all, the customers of the Bank of France would have had the advantage. The Bank of France has never raised its rate to 10 per cent., but the Bank of England has charged that rate for 141 days. The Bank of France charged 9 per cent. for 16 days only, but the Bank of England did so for 95 days, and while the French rate has been 8 per cent. for 41 days only, the rate of the Bank of England was at that point for 268 days.

The number of variations in the rate has been much

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TABLE VI. *Continued*—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND.

1863. Average Rate of Year, £4 8s. 2d.				Rate of Year =100.	*1864.* Average Rate of Year, £7 8s. 0d.			Rate of Year =100.	*1865.* Average Rate of Year, £4 15s. 4d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	3	13	6	*83*	Jan.....	7	9	9	*101*	Jan.....	5	14	2	*119*
Feb. ...	4	6	0	*97*	Feb. ...	6	18	0	*93*	Feb. ...	5	0	0	*105*
March ..	4	0	0	*91*	March ..	6	0	0	*81*	March...	4	12	2	*97*
April ...	3	16	7	*87*	April ...	6	7	6	*86*	April ...	4	0	0	*84*
May ...	3	9	5	*79*	May ...	8	7	5	*113*	May ...	4	8	0	*92*
June ...	4	0	0	*91*	June ...	6	8	9	*87*	June ...	3	4	0	*67*
July ...	4	0	0	*91*	July ...	6	6	0	*85*	July ...	3	2	5	*65*
August.	4	0	0	*91*	August.	8	0	2	*108*	August.	4	0	5	*84*
Sept. ...	4	0	0	*91*	Sept. ...	8	12	0	*116*	Sept. ...	3	19	7	*83*
October	4	0	0	*91*	October	9	0	0	*121*	October	6	14	0	*141*
Nov. ...	5	13	9	*129*	Nov. ...	8	0	2	*108*	Nov. ...	6	16	3	*143*
Dec. ...	7	15	0	*176*	Dec. ...	6	12	0	89	Dec. ...	6	4	2	*130*

1866. Average Rate of Year, £6 19s. 0d.				Rate of Year =100.	*1867.* Average Rate of Year, £2 10s. 9d.			Rate of Year =100.	*1868.* Average Rate of Year, £2 1s. 11d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	8	0	2	*115*	Jan.....	3	10	0	*138*	Jan.....	2	0	0	*95*
Feb. ...	7	3	7	*103*	Feb. ...	2	17	7	*113*	Feb. ...	2	0	0	*95*
March ..	6	12	0	*95*	March ..	3	0	0	*118*	March ..	2	0	0	*95*
April ...	6	0	0	*86*	April ...	3	0	0	*118*	April ...	2	0	0	*95*
May ...	9	1	2	*130*	May ...	3	0	9	*119*	May ...	2	0	0	*95*
June ...	10	0	0	*144*	June ...	2	10	0	*98*	June ...	2	0	0	*95*
July ...	10	0	0	*144*	July ...	2	9	0	*96*	July ...	2	0	0	*95*
August.	8	18	0	*128*	August.	2	0	0	*79*	August.	2	0	0	*95*
Sept. ...	5	1	5	*73*	Sept. ...	2	0	0	*79*	Sept. ...	2	0	0	*95*
October	4	10	0	*65*	October	2	0	0	*79*	October	2	0	0	*95*
Nov. ...	4	1	7	*59*	Nov. ...	2	0	0	*79*	Nov. ...	2	3	0	*103*
Dec. ...	3	17	9	*56*	Dec. ...	2	0	0	*79*	Dec. ...	3	0	0	*143*

1869. Average Rate of Year, £3 4s. 2d.				Rate of Year =100.	*1870.* Average Rate of Year, £3 2s. 0d.			Rate of Year =100.	*1871.* Average Rate of Year, £2 17s. 8d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	3	0	0	*93*	Jan.....	3	0	0	*97*	Jan.....	2	10	0	*87*
Feb. ...	3	0	0	*93*	Feb. ...	3	0	0	*97*	Feb. ...	2	10	0	*87*
March ..	3	0	0	*93*	March ..	3	0	0	*97*	March ..	3	0	6	*104*
April ...	4	0	0	*125*	April ...	3	0	0	*97*	April ...	2	13	6	*93*
May ...	4	9	9	*140*	May ...	3	0	0	*97*	May ...	2	10	0	*87*
June ...	4	0	0	*125*	June ...	3	0	0	*97*	June ...	2	6	7	*80*
July ...	3	6	0	*103*	July ...	3	9	2	*111*	July ...	1	14	7	*60*
August.	2	17	5	*89*	August.	5	2	7	*165*	August.	2	0	0	*69*
Sept. ...	2	10	0	*78*	Sept. ...	3	1	6	*99*	Sept. ...	2	6	7	*81*
October	2	10	0	*78*	October	2	10	0	*81*	October	5	9	0	*189*
Nov. ...	2	17	9	*90*	Nov. ...	2	10	0	*81*	Nov. ...	4	9	3	*154*
Dec. ...	3	0	0	*93*	Dec. ...	2	10	0	*81*	Dec. ...	3	5	9	*114*

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TABLE VI. *Continued*—MONTHLY AVERAGES OF MINIMUM RATE OF BANK OF ENGLAND.

1872. Average Rate of Year, £4 2s. 0d.	£ s. d.	Rate of Year =100.	*1873.* Average Rate of Year, £4 15s. 10d.	£ s. d.	Rate of Year =100.	*1874.* Average Rate of Year, £3 13s. 10d.	£ s. d.	Rate of Year =100.
Jan.....	3 0 0	*73*	Jan.....	4 11 9	*96*	Jan.....	3 18 9	*106*
Feb. ...	3 0 0	*73*	Feb. ...	3 10 0	*73*	Feb. ...	3 10 0	*95*
March ..	3 0 0	*73*	March ..	3 13 0	*76*	March ..	3 10 0	*95*
April ...	3 14 0	*90*	April ...	4 0 0	*83*	April ...	3 10 0	*95*
May ...	4 15 3	*116*	May ...	5 5 3	*110*	May ...	4 0 5	*109*
June ...	3 10 0	*85*	June ...	6 3 7	*129*	June ...	2 16 5	*76*
July ...	3 5 3	*79*	July ...	5 1 7	*106*	July ...	2 10 9	*69*
August.	3 10 0	*85*	August.	3 7 11	*71*	August.	3 13 0	*99*
Sept. ...	3 14 3	*90*	Sept. ...	3 2 10	*65*	Sept. ...	3 0 0	*81*
October	5 14 9	*140*	October	6 1 5	*127*	October	3 11 7	*97*
Nov. ...	6 9 9	*158*	Nov. ...	8 2 0	*169*	Nov. ...	4 8 2	*119*
Dec. ...	5 9 9	*133*	Dec. ...	4 17 7	*102*	Dec. ...	6 0 0	*163*

1875. Average Rate of Year, £3 4s. 8d.	£ s. d.	Rate of Year =100.	*1876.* Average Rate of Year, £2 12s. 1d.	£ s. d.	Rate of Year =100.	*1877.* Average Rate of Year, £2 18s. 0d.	£ s. d.	Rate of Year =100.
Jan.....	4 13 5	*144*	Jan.....	4 15 3	*183*	Jan.....	2 0 0	*69*
Feb. ...	2 18 7	*90*	Feb. ...	4 0 0	*154*	Feb. ...	2 0 0	*69*
March ..	3 10 0	*108*	March ..	3 19 0	*152*	March ..	2 0 0	*69*
April ...	3 10 0	*108*	April ...	2 14 6	*104*	April ...	2 0 0	*69*
May ...	3 10 0	*108*	May ...	2 0 0	*77*	May ...	2 19 0	*102*
June ...	3 10 0	*108*	June ...	2 0 0	*77*	June ...	3 0 0	*103*
July ...	3 2 11	*97*	July ...	2 0 0	*77*	July ...	2 6 3	*79*
August.	2 4 7	*69*	August.	2 0 0	*77*	August.	2 2 6	*73*
Sept. ...	2 0 0	*62*	Sept. ...	2 0 0	*77*	Sept. ...	3 0 0	*103*
October	3 2 11	*97*	October	2 0 0	*77*	October	4 12 0	*158*
Nov. ...	3 11 0	*110*	Nov. ...	2 0 0	*77*	Nov. ...	4 17 9	*168*
Dec. ...	3 1 10	*96*	Dec. ...	2 0 0	*77*	Dec. ...	4 0 0	*138*

1878. Average Rate of Year, £3 15s. 8d.	£ s. d.	Rate of Year =100.	*1845-78.* Average Rate of 34 Years, £3 17s. 9d.	£ s. d.	Rate of 34 Yrs =100.
January	3 6 6	*88*	January	4 0 6	*103*
February	2 0 0	*53*	February	3 15 0	*96*
March	2 3 6	*57*	March	3 15 2	*96*
April.....	3 0 0	*79*	April.....	3 14 6	*95*
May	3 0 6	*80*	May	4 1 1	*104*
June	2 10 6	*67*	June	3 15 11	*98*
July	3 16 3	*101*	July	3 13 4	*94*
August.....	4 14 0	*125*	August.....	3 13 2	*94*
September	5 0 0	*133*	September	3 10 0	*90*
October	5 13 0	*151*	October.....	4 2 6	*105*
November	5 11 9	*149*	November	4 8 8	*114*
December.....	5 0 0	*133*	December.....	4 4 5	*108*

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TABLE VII.—BANK OF ENGLAND

TABLE OF THE CHANGES IN THE RATE OF DISCOUNT CHARGED BY THE YEAR, SINCE 1ST SEPTEMBER, 1844 (when the Bank

Years.	Number of Changes.			2 %	2½ %	2¾ %	3 %	3½ %	4 %
	Rise.	Fall.	Total.	Days.	Days.	Days.	Days.	Days.	Days.
1844	...	1	1	...	...	117	...	...	...
1845	2	...	2	...	...	289	21	55	...
1846	...	1	1	...	...	...	126	239	...
1847	6	3	9	...	...	...	14	7	177
1848	...	3	3	...	...	...	59	140	40
1849	...	1	1	...	...	39	326	...	...
1850	1	...	1	...	...	360	5	...	...
1851	...	...	...	...	...	...	365	...	...
1852	...	2	2	253	...	113	...	...	...
1853	6	...	6	6	...	14	133	91	14
1854	1	1	2	...	...	...	...	...	...
1855	4	4	8	...	...	...	...	84	7
1856	2	5	7	...	...	...	...	...	...
1857	6	3	9	...	...	...	...	...	...
1858	...	6	6	...	...	22	301	7	7
1859	2	3	5	...	...	288	35	14	...
1860	8	3	11	...	...	19	12	...	226
1861	3	8	11	...	...	...	54	49	21
1862	2	3	5	98	...	147	120	...	...
1863	8	4	12	...	...	...	31	12	241
1864	7	8	15	...	...	...	...	...	...
1865	8	8	16	...	...	...	42	21	98
1866	5	9	14	...	...	...	...	11	42
1867	...	3	3	159	...	56	112	38	...
1868	2	...	2	324	...	14	28	...	...
1869	3	4	7	...	...	77	183	21	49
1870	4	6	10	...	...	93	223	9	12
1871	4	6	10	70	28	124	66	14	23
1872	9	5	14	...	...	...	123	76	50
1873	11	13	24	...	...	...	35	76	61
1874	6	7	13	...	...	42	70	119	81
1875	5	7	12	56	...	21	84	147	43
1876	1	4	5	255	...	...	14	14	62
1877	4	3	7	170	...	7	100	...	39
1878	6	4	10	56	...	28	91	28	21
	126	138	264	1,447	28	1,870	2,773	1,272	1,314

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MINIMUM RATE OF DISCOUNT, 1844-78.
BANK OF ENGLAND, AND THE NUMBER OF DAYS AT EACH RATE IN EACH Act came into Operation), TO DECEMBER 31ST, 1878.

4½ %	5 %	5½ %	6 %	6½ %	7 %	8 %	9 %	10 %	Total.	Years.
Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	
...	...	...	...	...	...	...	...	...	117	1844
...	...	...	...	...	...	...	...	...	365	1845
...	...	...	...	...	...	...	...	...	365	1846
...	127	56	46	...	10	28	...	...	365	1847
...	27	...	...	...	...	...	...	...	366	1848
...	...	...	...	...	...	...	...	...	365	1849
...	...	...	...	...	...	...	...	...	365	1850
...	...	...	...	...	...	...	...	...	365	1851
...	...	...	...	...	...	...	...	...	366	1852
14	93	...	...	...	...	...	...	...	365	1853
...	281	84	...	...	...	...	...	...	365	1854
84	102	14	...	...	74	...	...	...	365	1855
98	35	...	20	14	199	...	...	...	366	1856
...	...	84	127	77	4	24	4	45	365	1857
...	14	...	7	...	...	7	...	...	365	1858
28	...	...	...	...	...	...	...	...	365	1859
33	63	...	13	...	...	...	...	...	366	1860
14	49	...	91	...	52	35	...	...	365	1861
...	...	...	...	...	...	...	...	...	365	1862
...	25	...	27	...	8	21	...	...	365	1863
...	...	...	106	...	102	81	77	...	366	1864
52	39	14	49	...	50	...	...	...	365	1865
42	21	...	56	...	37	59	1	96	365	1866
...	...	...	...	...	...	...	...	...	365	1867
...	...	...	...	...	...	...	...	...	366	1868
35	...	...	...	...	...	...	...	...	365	1869
7	7	7	7	...	...	...	...	...	365	1870
...	40	...	...	...	...	...	...	...	365	1871
7	47	...	44	...	19	...	...	...	366	1872
43	45	...	57	...	22	13	13	...	365	1873
8	14	...	31	...	...	...	...	...	365	1874
...	7	...	7	...	...	...	...	...	365	1875
...	21	...	...	...	...	...	...	...	366	1876
...	49	...	...	...	...	...	...	...	365	1877
...	104	...	37	...	...	...	...	...	365	1878
465	1,210	259	725	91	577	268	95	141	12,535	

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CHAPTER IX.

VARIATIONS IN THE RATE CHARGED BY THE BANK OF FRANCE FROM 1844 TO 1878.

THE last chapter contained a table of the variations in the rate of discount charged by the Bank of England from the date when the Act of 1844 came into force to the present time. That date was selected as the starting point of the inquiry, because before that period it had scarcely been the custom of the Bank of England to make any variation at all in its rate. On some occasions, particularly in 1839, a higher rate was sometimes charged, but the regular Bank rate was 4 per cent. The market rate might be something very different, but the Bank did not concern itself with that. If the market rate was as high or higher than the Bank rate, the Bank was resorted to for discount purposes; but if the market rate was lower, the Bank did not reduce its rate accordingly. Earlier than the date from which that table starts—September 5th, 1844—the rate charged by the Bank of England is no guide to the market rate, and hence it was of no service to pursue the investigation further back than that time.

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The same date has been taken in the table of the variations of the rate of the Bank of France, which accompanies this chapter, in order to facilitate comparison between the operations of the two banks.

The tables prepared for this purpose correspond exactly with those relating to the Bank of England. The first Table, No. VIII., gives the average rate of discount charged month by month by the Bank of France during the period from 1845 to 1877; it also shows the proportion which the rate charged in each month bore to the average rate of the year. A summary Table, page 109, shows the average monthly rates for the seventeen years, 1845-61, 1862-1878, and for the whole period, 1845-78. Table No. IX. gives the number of changes of the rate in each year, and the total number of days at each rate in each year. A supplementary Table, No. XIII., page 110 shows the number of days at each rate, arranged from the lowest rate to the highest, and the number of days at each rate arranged from the greatest number of days which each rate lasted to the smallest.

Before commencing this comparison, it will be desirable to give some description of the organisation of the Bank of France. The direction of the bank consists of the following persons:—First, there is a governor and two sub-governors; all these three are nominated by the Government, and are understood to be removable at its pleasure, but this power, as a matter of fact, is not exercised. Then there are fifteen directors, who are elected by the proprietors. Three of these directors must be selected from the class of the receivers-general, who are connected with the Government, and the management of the taxes of the country. The *receveurs-général*, or *trésoriers payeurs-général*, as they are most properly called, are the Government or Treasury Agents in the Departments. Five of the twelve remaining directors must be taken from the merchants, manufacturers, and leading business men in Paris. Besides these there are the three censors, who must be chosen from among the men engaged in business and manufactures, and who thus specially represent the

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manufactures and the industry of Paris. The governor, the two sub-governors, and the fifteen directors, form the general council. Nothing is done without the presence and the surveillance of the censors, but they have not the right to vote, though they may speak and place their opinions on the minutes of the deliberations. Great part of the detail of the management rests with the two sub-governors, but the directors have the right to decide and vote on any measure which may come before them. The directors are understood to be rather checks on the two sub-governors than to be the actual managers of the business themselves. The system is understood to work well in practice, and the mixture of the more permanent portion of the governing body, which is selected by the Government, with the portion which is selected by the shareholders themselves, is an advantage in enabling a regular system of management to be steadily carried out from year to year. The Bank of France had at the date of its report in 1878, 86 branches situated in all the principal cities and towns of the country. Some of these branches carry on a very large business, and the amount of the business done by them in the aggregate considerably exceeds that done by the head office at Paris. Some of the branches, however, are small. It was mentioned in the report for 1878 that no fewer than 41 of them were carried on at a loss. Some of these branches had been but recently established; they give collectively very valuable assistance to the trade of the country; and it is certain that without them the position of the bank would be very inferior to that which it holds at the present time. The best description, perhaps, which can be given of the mode in which the business of the bank is carried on is to be found in the evidence given by M. Rouland, the late governor of the bank, before the "Enquête sur les principes et les faits généraux qui régissent la circulation monétaire et fiduciaire," held in Paris in 1865. M. Rouland, in describing the organisation of the governing body of the bank, stated that it consisted of two perfectly distinct elements, being, one, the portion

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chosen by the State, and the other chosen by the shareholders. The persons chosen by the State, namely, the governor and the two sub-governors, are, according to M. Rouland's words, bound to see that the business of the bank is carried on for the public advantage. It is their duty to see that the statutes of the bank are not overstepped, and that the interests of trade and commerce are attended to. It is from them that the proposals to raise or to lower the rate of interest appear almost invariably to proceed. M. Rouland's description was as follows:—"Nothing of any description which concerns the great interests of the public, nothing which concerns the larger duties which the bank has to perform towards commerce and industry, nothing of all that class of business belongs to, or is left to the discretion of what he called the interested party." By this M. Rouland understood that portion of the governing body which directly represented the shareholders.

"This is a guarantee," M. Rouland continued, "which ought, of itself, to satisfy any who have any doubts on the subject. Does the public know it? Are the public aware that during sixty-two years it has not perhaps happened twice that the council has had to propose that the rate of discount should be raised or lowered? Does the public know that it is always the active element of the Government, which, watching vigilantly over the public interest, has made the proposition?" M. Rouland proceeded to say that the two portions of the governing body have always worked together in the most perfect harmony, and that in this harmony of the two portions of the governing body the security of the institution consists. M. Rouland spoke, and with a just sense of pride, of the part which the Bank of France had always taken in developing the commerce and industry of that country. Opinions have, however, been occasionally expressed that the commercial element is not sufficiently represented in the general council of management of the bank, and that it would be desirable to choose a greater number of representatives of various branches of business to form part of the direction.

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This opinion is referred to here, but it is only right to add that the Bank of France has for many years appeared to carry on its business with great intelligence and judgment in many of the most essential points, and in particular its management during the period of suspension of specie payments in France, a period of the greatest difficulty, was a brilliant example of what the conduct of a bank should be under exceptionally trying circumstances.

The business of banking has not, it must be remembered, hitherto reached in France anything like the same proportions which it has done in Great Britain and Ireland. There are very few banks in France at all to be compared with the larger banks of England, Scotland, and Ireland. The "Comptoir d'Escompte," the "Credit Lyonnais," and the "Société Générale," and a few others, principally in the larger towns, obtain doubtless their share of the business—but no bank in France possesses anything like the organisation of the Bank of France, and its position is in this respect a very different one from that of the Bank of England.

The amounts of the balances kept by other banks with the Bank of France have never been published in the same manner as those kept by the London bankers with the Bank of England, and hence it is not possible to speak on the subject with the same certainty; but it is not likely that they approach anything like the same sums. From both these reasons, and from the general circumstances of the trade of the country, the Bank of France is not exposed to anything like the same sudden demands as the Bank of England. The current of commercial activity in France, flows with a very different and more equable course than in England. A country which depends so greatly on agriculture as France, where manufactures, commerce, and trade with other countries fill relatively so much smaller a space in the general activity of the people than in England, will always be likely to follow a more undisturbed course in the way of business than is, or can be, the case here. There are much fewer causes to lead to

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the vast demands for bullion for export which occasionally operate so suddenly and so powerfully on our market. The sums on deposit with banks in France are, beyond question, both smaller in proportion to the numbers and to the general wealth of the population than in England, and they are also more generally deposited for longer periods than with us, and are much less likely to be suddenly required to be repaid. All these circumstances unite in causing the demands on the Bank of France to be of a totally different description from the demands on the Bank of England, and it is only natural to find that this difference is reflected in the variations of the rate of interest charged by the two banks. The average rate of discount charged by the Bank of France has been rather higher than that charged by the Bank of England for the period under consideration, but the duration of extremely high rates has been much shorter. Thus, the rate of the Bank of France has been oftener at 4 per cent. during the period under notice than at any other rate, and next to that rate 5 per cent. shows the highest proportion. A firm which had done business with the Bank of England would have been able to have its bills discounted at 3 and 2½ per cent. for fully an equal length of time as it would have been charged 4 per cent. by the Bank of France. The rate ruled at 3 per cent. for 2,773 days with the Bank of England, while it only stood at that rate for 1,594 days with the Bank of France, and while the Bank of England has charged 2 per cent. for 1,447 days, the same rate was charged by the Bank of France for 559 days only. But in the highest rates of all, the customers of the Bank of France would have had the advantage. The Bank of France has never raised its rate to 10 per cent., but the Bank of England has charged that rate for 141 days. The Bank of France charged 9 per cent. for 16 days only, but the Bank of England did so for 95 days, and while the French rate has been 8 per cent. for 41 days only, the rate of the Bank of England was at that point for 268 days.

The number of variations in the rate has been much

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smaller in France than in England. During the period under consideration the Bank of France altered its rate 86 times only; the Bank of England altered its rate 264 times. The greatest number of variations in the rate of the Bank of England took place in 1873, when there were no less than 24 changes; during that year the Bank of France altered its rate four times only. The greatest number of changes in the rate of the Bank of France took place in 1864 when there were 11 changes, but in that year there were 15 alterations at the Bank of England. In one respect there is a considerable similarity to be observed between what has occurred both in France and in England. In both countries during the earlier portion of the period under notice there were far fewer alterations than during the later portion. But there is one curious difference in the course of business in the two countries to be noted. While during quite recent years the number of alterations in the rate charged by the Bank of England has tended to increase, the changes in the rate of the Bank of France have diminished in number. We will take the period from 1870 onward :—

Bank of England.		Bank of France.	
Years.	No. of Changes in Rate.	Years.	No. of Changes in Rate.
1870	10	1870	4
1871	10	1871	2
1872	14	1872	1
1873	24	1873	4
1874	13	1874	2
1875	12	1875	—
1876	5	1876	1
1877	7	1877	1
1878	10	1878	1
Changes in rate	105	Changes in rate	16

It is also a thing worth notice that though the average rate charged by the Bank of France, taking the whole time from 1844 onwards into consideration, has been somewhat higher than the rate charged by the Bank of England, the rates charged by the Bank of France have been lower than those of the Bank of England during the years of panic which have occurred in England

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during the same period. Thus, to compare the rates in England and France during the years 1847, 1857, and 1866 :—

Bank of England.		Bank of France.	
Year.	Rate of Discount. £ s. d.	Year.	Rate of Discount. £ s. d.
1847	5 3 6	1847	4 19 0
1857	6 13 3	1857	6 3 0
1866	6 19 0	1866	3 14 0

It is a remarkable thing that there should have been so great a difference in the rate of discount charged at these dates in two great centres of business activity situated so close to each other and connected by so many bonds of commercial intercourse. In the year 1878 a similar divergence took place, the rate of the Bank of England was £3 15s. 8d., of the Bank of France only £2 4s. 2d. for that year. It appears, however, that there has been on the whole of late years a tendency towards a greater correspondence in the rate of interest charged in both countries, and it is quite probable, now that France has resumed specie payments, that Paris will be likely again to become a great market for exchange operations, and that we may again see a great number of alterations occur in the rate of interest charged by the Bank of France.

The Bank of France, we must however remember, has had to pass through very great trials during recent years. Changes in the form of Government, revolutions, wars, and even hostile occupation, have all disturbed the even course of business in Paris and in France. The Bank of France has had to bear many trials of this description, and has met them all with great courage and prudence on the part of its governing body.

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TABLE VIII.—Monthly Averages of Rate of Bank of France—1844 to 1878.

1845.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1846.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1847.	Average Rate of Year, £5 0s. 2d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	12	6	*90*
Feb. ...	5	0	0	*100*
March ..	5	0	0	*100*
April ...	5	0	0	*100*
May ...	5	0	0	*100*
June ...	5	0	0	*100*
July ...	5	0	0	*100*
August.	5	0	0	*100*
Sept. ...	5	0	0	*100*
October	5	0	0	*100*
Nov. ...	5	0	0	*100*
Dec. ...	5	9	9	*109*

1848.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1849.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1850.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1851.	Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1852.	Average Rate of Year, £3 3s. 7d.			Rate of Year =100.
	£	s.	d.	
Jan.....	4	0	0	*126*
Feb. ...	4	0	0	*126*
March ..	3	3	0	*99*
April ...	3	0	0	*94*
May ...	3	0	0	*94*
June ...	3	0	0	*94*
July ...	3	0	0	*94*
August.	3	0	0	*94*
Sept. ...	3	0	0	*94*
October	3	0	0	*94*
Nov. ...	3	0	0	*94*
Dec. ...	3	0	0	*94*

1853.	Average Rate of Year, £3 4s. 9d.			Rate of Year =100.
	£	s.	d.	
Jan.....	3	0	0	*92*
Feb. ...	3	0	0	*92*
March ..	3	0	0	*92*
April ...	3	0	0	*92*
May ...	3	0	0	*92*
June ...	3	0	0	*92*
July ...	3	0	0	*92*
August.	3	0	0	*92*
Sept. ...	3	0	0	*92*
October	3	17	6	*119*
Nov. ...	4	0	0	*123*
Dec. ...	4	0	0	*123*

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TABLE VIII. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF FRANCE.

1854.				*1855.*				*1856.*			
Average Rate of Year, £4 6s. 6d.			Rate of Year =100.	Average Rate of Year, £4 8s. 11d.			Rate of Year =100.	Average Rate of Year, £5 10s. 2d.			Rate of Year =100.
	£	s.	d.		£	s.	d.		£	s.	d.
Jan.....	4	9	8	*103*	4	0	0	*90*	6	0	0	*109*
Feb. ...	5	0	0	*116*	4	0	0	*90*	6	0	0	*109*
March ..	5	0	0	*116*	4	0	0	*90*	6	0	0	*109*
April ...	5	0	0	*116*	4	0	0	*90*	5	0	0	*91*
May ...	4	8	9	*102*	4	0	0	*90*	5	0	0	*91*
June ...	4	0	0	*92*	4	0	0	*90*	5	0	0	*91*
July ...	4	0	0	*92*	4	0	0	*90*	5	0	0	*91*
August.	4	0	0	*92*	4	0	0	*90*	5	0	0	*91*
Sept. ...	4	0	0	*92*	4	0	0	*90*	5	1	9	*92*
October	4	0	0	*92*	5	7	3	*121*	6	0	0	*109*
Nov. ...	4	0	0	*92*	6	0	0	*155*	6	0	0	*109*
Dec. ...	4	0	0	*92*	6	0	0	*155*	6	0	0	*109*

1857.				*1858.*				*1859.*			
Average Rate of Year, £6 3s. 3d.			Rate of Year =100.	Average Rate of Year, £3 14s. 0d.			Rate of Year =100.	Average Rate of Year, £3 9s. 4d.			Rate of Year =100.
	£	s.	d.		£	s.	d.		£	s.	d.
Jan.....	6	0	0	*97*	5	0	0	*135*	3	0	0	*87*
Feb. ...	6	0	0	*97*	4	1	6	*109*	3	0	0	*87*
March ..	6	0	0	*97*	4	0	0	*108*	3	0	0	*87*
April ...	6	0	0	*97*	4	0	0	*108*	3	0	0	*87*
May ...	6	0	0	*97*	4	0	0	*108*	3	19	6	*114*
June ...	5	16	9	*95*	3	12	3	*97*	4	0	0	*115*
July ...	5	10	0	*89*	3	10	0	*95*	4	0	0	*115*
August.	5	10	0	*89*	3	10	0	*95*	3	12	6	*104*
Sept. ...	5	10	0	*89*	3	6	9	*90*	3	10	0	*101*
October	6	11	9	*107*	3	0	0	*81*	3	10	0	*101*
Nov. ...	8	5	0	*134*	3	0	0	*81*	3	10	0	*101*
Dec. ...	6	15	3	*110*	3	0	0	*81*	3	10	0	*101*

1860.				*1861.*				*1862.*			
Average Rate of Year, £3 12s. 7d.			Rate of Year =100.	Average Rate of Year, £5 11s. 1d.			Rate of Year =100.	Average Rate of Year, £3 15s. 1d.			Rate of Year =100.
	£	s.	d.		£	s.	d.		£	s.	d.
Jan.....	3	10	0	*96*	6	16	9	*123*	4	18	6	*131*
Feb. ...	3	10	0	*96*	7	0	0	*126*	3	15	6	*100*
March ..	3	10	0	*96*	6	4	9	*112*	4	0	0	*106*
April ...	3	10	0	*96*	5	0	0	*90*	3	10	0	*93*
May ...	3	10	0	*96*	5	0	0	*90*	3	10	0	*93*
June ...	3	10	0	*96*	5	0	0	*90*	3	10	0	*93*
July ...	3	10	0	*96*	5	0	0	*90*	3	10	0	*93*
August.	3	10	0	*96*	5	0	0	*90*	3	10	0	*93*
Sept. ...	3	10	0	*96*	4	19	9	*90*	3	10	0	*93*
October	3	10	0	*96*	6	0	0	*108*	3	10	0	*93*
Nov. ...	4	0	9	*111*	5	12	3	*101*	3	16	9	*102*
Dec. ...	4	10	0	*124*	5	11	1	*100*	4	0	0	*106*

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TABLE VIII. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF FRANCE.

1863. Average Rate of Year, £4 13s. 1d.	£	s.	d.	Rate of Year =100.
Jan.....	4	12	0	*99*
Feb. ...	5	0	0	*108*
March ..	4	14	0	*101*
April ...	4	0	0	*86*
May ...	3	13	6	*79*
June ...	3	15	3	*81*
July ...	4	0	0	*86*
August.	4	0	0	*86*
Sept. ...	4	0	0	*86*
October	4	16	3	*103*
Nov. ...	6	6	0	*135*
Dec. ...	7	0	0	*150*

1864. Average Rate of Year, £6 10s. 7d.	£	s.	d.	Rate of Year =100.
Jan.....	7	0	0	*107*
Feb. ...	7	0	0	*107*
March ..	6	18	0	106
April ...	6	0	0	*92*
May ...	7	2	6	*109*
June ...	6	0	0	*92*
July ...	6	0	0	*92*
August.	6	0	0	*92*
Sept. ...	6	12	0	*101*
October	7	14	6	*118*
Nov. ...	6	16	0	*104*
Dec. ...	5	4	0	*79*

1865. Average Rate of Year, £3 13s. 11s.	£	s.	d.	Rate of Year =100.
Jan.....	4	10	0	*122*
Feb. ...	3	16	6	*103*
March ..	3	14	3	*100*
April ...	3	10	0	*94*
May ...	3	10	0	*94*
June ...	3	0	0	*81*
July ...	3	0	0	*81*
August.	3	0	0	*81*
Sept. ...	3	0	0	*81*
October	4	12	6	*125*
Nov. ...	4	14	0	*127*
Dec. ...	4	0	0	*108*

1866. Average Rate of Year, £3 13s. 6d.	£	s.	d.	Rate of Year =100.
Jan.....	4	19	3	*135*
Feb. ...	4	5	9	*116*
March ..	3	18	6	*107*
April ...	3	10	0	*95*
May ...	3	17	9	*106*
June ...	4	0	0	*109*
July ...	3	19	9	*109*
August.	3	11	0	*96*
Sept. ...	3	0	0	82
October	3	0	0	*82*
Nov. ...	3	0	0	*82*
Dec. ...	3	0	0	*82*

1867. Average Rate of Year, £2 14s. 2d.	£	s.	d.	Rate of Year =100.
Jan.....	3	0	0	*111*
Feb. ...	3	0	0	*111*
March ..	3	0	0	*111*
April ...	3	0	0	*111*
May ...	3	0	0	*111*
June ...	2	10	0	*92*
July ...	2	10	0	*92*
August.	2	10	0	*92*
Sept. ...	2	10	0	*92*
October	2	10	0	*92*
Nov. ...	2	10	0	*92*
Dec. ...	2	10	0	*92*

1868. Average Rate of Year, £2 10s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*100*
Feb. ...	2	10	0	*100*
March ..	2	10	0	*100*
April ...	2	10	0	*100*
May ...	2	10	0	*100*
June ...	2	10	0	*100*
July ...	2	10	0	*100*
August.	2	10	0	*100*
Sept. ...	2	10	0	*100*
October	2	10	0	*100*
Nov. ...	2	10	0	*100*
Dec. ...	2	10	0	*100*

1869. Average Rate of Year, £2 10s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*100*
Feb. ...	2	10	0	*100*
March ..	2	10	0	*100*
April ...	2	10	0	*100*
May ...	2	10	0	*100*
June ...	2	10	0	*100*
July ...	2	10	0	*100*
August.	2	10	0	*100*
Sept. ...	2	10	0	*100*
October	2	10	0	*100*
Nov. ...	2	10	0	*100*
Dec. ...	2	10	0	*100*

1870. Average Rate of Year, £3 19s. 8d.	£	s.	d.	Rate of Year =100.
Jan.....	2	10	0	*63*
Feb. ...	2	10	0	*63*
March ..	2	10	0	*63*
April ...	2	10	0	*63*
May ...	2	10	0	*63*
June ...	2	10	0	*63*
July ...	3	3	6	*80*
August.	5	16	3	*146*
Sept. ...	6	0	0	*150*
October	6	0	0	*150*
Nov. ...	6	0	0	*150*
Dec. ...	6	0	0	*150*

1871. Average Rate of Year, £5 14s. 3d.	£	s.	d.	Rate of Year =100.
Jan.....	6	0	0	*105*
Feb. ...	6	0	0	*105*
March ..	6	0	0	*105*
April ...	6	0	0	*105*
May ...	6	0	0	*105*
June ...	6	0	0	*105*
July ...	5	15	0	*100*
August.	5	0	0	*87*
Sept. ...	5	0	0	*87*
October	5	0	0	*87*
Nov. ...	5	16	3	*102*
Dec. ...	6	0	0	*105*

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TABLE VIII. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF FRANCE.

1872.				*1873.*				*1874.*			
Average Rate of Year, £5 2s. 9d.			Rate of Year =100.	Average Rate of Year, £5 2s. 10d.			Rate of Year =100.	Average Rate of Year, £4 6s. 2d.			Rate of Year =100.
	£	s.	d.		£	s.	d.		£	s.	d.
Jan.....	6	0	0	*117*	Jan.....	5	0	0	*97*	Jan.....	5	0	0	*116*
Feb. ...	5	13	0	*110*	Feb. ...	5	0	0	*97*	Feb. ...	5	0	0	*116*
March ..	5	0	0	*97*	March ..	5	0	0	*97*	March ..	4	13	9	*109*
April ...	5	0	0	*97*	April ...	5	0	0	*97*	April ...	4	10	0	*105*
May ...	5	0	0	*97*	May ...	5	0	0	*97*	May ...	4	10	0	*105*
June ...	5	0	0	*97*	June ...	5	0	0	*97*	June ...	4	0	0	*93*
July ...	5	0	0	*97*	July ...	5	0	0	*97*	July ...	4	0	0	*93*
August.	5	0	0	*97*	August.	5	0	0	*97*	August.	4	0	0	*93*
Sept. ...	5	0	0	*97*	Sept. ...	5	0	0	*97*	Sept. ...	4	0	0	*93*
October	5	0	0	*97*	October	5	13	0	*110*	October	4	0	0	*93*
Nov. ...	5	0	0	*97*	Nov. ...	6	0	9	*117*	Nov. ...	4	0	0	*93*
Dec. ...	5	0	0	*97*	Dec. ...	5	0	0	*97*	Dec. ...	4	0	0	*93*

1875.				*1876.*				*1877.*			
Average Rate of Year, £4 0s. 0d.			Rate of Year =100.	Average Rate of Year, £3 8s. 2d.			Rate of Year =100.	Average Rate of Year, £2 5s. 3d.			Rate of Year =100.
	£	s.	d.		£	s.	d.		£	s.	d.
Jan.....	4	0	0	*100*	Jan.....	4	0	0	*118*	Jan.....	3	0	0	*133*
Feb. ...	4	0	0	*100*	Feb. ...	4	0	0	*118*	Feb. ...	3	0	0	*133*
March ..	4	0	0	*100*	March ..	4	0	0	*118*	March ..	3	0	0	*133*
April ...	4	0	0	*100*	April ...	4	0	0	*118*	April ...	2	2	9	*94*
May ...	4	0	0	*100*	May ...	3	18	0	*115*	May ...	2	0	0	*88*
June ...	4	0	0	*100*	June ...	3	0	0	*88*	June ...	2	0	0	*88*
July ...	4	0	0	*100*	July ...	3	0	0	*88*	July ...	2	0	0	*88*
August.	4	0	0	*100*	August.	3	0	0	*88*	August.	2	0	0	*88*
Sept. ...	4	0	0	*100*	Sept. ...	3	0	0	*88*	Sept. ...	2	0	0	*88*
October	4	0	0	*100*	October	3	0	0	*88*	October	2	0	0	*88*
Nov. ...	4	0	0	*100*	Nov. ...	3	0	0	*88*	Nov. ...	2	0	0	*88*
Dec. ...	4	0	0	*100*	Dec. ...	3	0	0	*88*	Dec. ...	2	0	0	*88*

1878.					*1845–78.*				
Average Rate of Year, £2 4s. 2d.				Rate of Year = 100.	Average Rate of 34 Years, £4 1s. 5d.				Rate of 34 Yrs. = 100.
	£	s.	d.			£	s.	d.	
January	2	0	0	*91*	January	4	5	10	*105*
February	2	0	0	*91*	February	4	4	5	*103*
March	2	0	0	*91*	March	4	2	7	*101*
April.....	2	0	0	*91*	April.....	3	18	11	*97*
May	2	0	0	*91*	May	3	19	8	*97*
June	2	0	0	*91*	June	3	17	2	*94*
July	2	0	0	*91*	July	3	17	3	*94*
August.....	2	0	0	*91*	August.....	3	17	11	*95*
September	2	0	0	*91*	September	3	17	11	*95*
October	2	10	6	*115*	October	4	3	7	*102*
November	3	0	0	*136*	November	4	6	9	*106*
December.....	3	0	0	*136*	December.....	4	4	11	*104*

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TABLE IX.—BANK OF FRANCE

TABLE OF THE CHANGES IN THE RATE OF DISCOUNT CHARGED BY THE YEAR, SINCE THE 1ST SEPTEMBER, 1844 (the Year the Bank Act

Years.	Number of Changes.			2 %	2½ %	3 %	3½ %	4 %
	Rise.	Fall.	Total.	Days.	Days.	Days.	Days.	Days.
1844	...	...	...	...	...	...	...	117
1845	...	...	...	...	...	...	...	365
1846	...	...	...	...	...	...	...	365
1847	1	1	2	...	...	...	...	18
1848	...	...	...	...	...	...	...	366
1849	...	...	...	...	...	...	...	365
1850	...	...	...	...	...	...	...	365
1851	...	...	...	...	...	...	...	365
1852	...	1	1	...	...	303	...	63
1853	1	...	1	...	...	279	...	86
1854	1	1	2	...	...	...	...	253
1855	2	...	2	...	...	...	...	277
1856	1	1	2	...	...	...	...	...
1857	4	4	8	...	...	...	...	...
1858	...	4	4	...	...	99	105	112
1859	1	1	2	...	...	123	149	93
1860	1	...	1	...	...	...	317	...
1861	4	3	7	...	...	...	...	...
1862	1	3	4	...	...	...	224	104
1863	5	3	8	...	...	...	35	176
1864	4	7	11	...	...	...	...	...
1865	2	4	6	...	...	126	84	70
1866	2	5	7	...	...	123	85	108
1867	...	2	2	...	214	151	...	...
1868	...	...	...	...	366	...	...	...
1869	...	...	...	...	365	...	...	...
1870	4	...	4	...	199	...	3	9
1871	1	1	2	...	...	...	...	...
1872	...	1	1	...	...	...	...	...
1873	2	2	4	...	...	...	...	...
1874	...	2	2	...	...	...	...	210
1875	...	...	...	...	...	...	...	365
1876	...	1	1	...	...	219	...	147
1877	...	1	1	270	...	95	...	...
1878	1	...	1	289	...	76	...	...
	38	48	86	559	1,144	1,594	1,002	4,399

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RATE OF DISCOUNT, 1844-78.

BANK OF FRANCE, AND THE NUMBER OF DAYS AT EACH RATE IN EACH came into Operation in England), TO DECEMBER 31ST, 1878.

4½ %	5 %	5½ %	6 %	6½ %	7 %	7½ %	8 %	9 %	Total.	Years.
Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	
...	...	...	...	...	...	...	...	...	117	1844
...	...	...	...	...	...	...	...	...	365	1845
...	...	...	...	...	...	...	...	...	365	1846
...	347	...	...	...	...	...	...	...	365	1847
...	...	...	...	...	...	...	...	...	366	1848
...	...	...	...	...	...	...	...	...	365	1849
...	...	...	...	...	...	...	...	...	365	1850
...	...	...	...	...	...	...	...	...	365	1851
...	...	...	...	...	...	...	...	...	366	1852
...	...	...	...	...	...	...	...	...	365	1853
...	112	...	...	...	...	...	...	...	365	1854
...	14	...	74	...	...	...	...	...	365	1855
...	178	...	188	...	...	...	...	...	366	1856
...	2	109	188	8	12	21	9	16	365	1857
12	37	...	...	...	...	...	...	...	365	1858
...	...	...	...	...	...	...	...	...	365	1859
49	...	...	...	...	...	...	...	...	366	1860
2	229	11	58	...	65	...	...	...	365	1861
16	21	...	...	...	...	...	...	...	365	1862
14	85	...	6	...	49	...	...	...	365	1863
9	14	...	163	...	148	...	32	...	366	1864
40	45	...	...	...	...	...	...	...	365	1865
7	42	...	...	...	...	...	...	...	365	1866
...	...	...	...	...	...	...	...	...	365	1867
...	...	...	...	...	...	...	...	...	366	1868
...	...	...	...	...	...	...	...	...	365	1869
...	10	...	144	...	...	...	...	...	365	1870
...	106	...	259	...	...	...	...	...	365	1871
...	308	...	58	...	...	...	...	...	366	1872
...	321	...	32	...	12	...	...	...	365	1873
91	64	...	...	...	...	...	...	...	365	1874
...	...	...	...	...	...	...	...	...	365	1875
...	...	...	...	...	...	...	...	...	366	1876
...	...	...	...	...	...	...	...	...	365	1877
...	...	...	...	...	...	...	...	...	365	1878
240	1,935	120	1,170	8	286	21	41	16	12,535	

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CHAPTER X.

VARIATIONS IN THE RATE CHARGED BY THE BANK OF GERMANY, 1844 TO 1878.

THE two last chapters contained some account of the variations in the rate of interest charged by the Bank of England from 1844 to 1878, and by the Bank of France during the same period. It is desirable to complete this part of the investigation by a similar inquiry into the rates charged during the same time by the Bank of Germany. Strictly speaking, we ought to speak of the rates charged by the Bank of Prussia and by the Bank of Germany, for it was not till 1875 that the former institution merged into the latter one. As, however, it is the Bank of Germany which is now carrying on the business, we have placed the name of that bank at the head of this chapter. The same date and the same method exactly have been followed in constructing the tables which accompany this chapter as in those which were drawn up in the description of the variations charged by the Bank of England and the Bank of France, in order that the comparison made may follow precisely the same plan in all three cases, and enable the reader to see how far and to what extent the same causes have operated in all three countries.

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The first Table, No. X., gives the average rate of discount charged, month by month, by the Bank of Germany during the period from 1845 to 1878; it also shows the proportion which the rate charged in each month bore to the average rate of the year. A summary table at page 109 shows the average monthly rates for the seventeen years, 1845-61, 1862-78; and for the whole period, 1845-78. Table No. XI. gives the number of changes of the rate in each year, and the total number of days at each rate in each year. A supplementary Table, No. XIII., shows the number of days at each rate, arranged from the lowest rate to the highest, and the number of days in each rate, arranged from the greatest number of days which each rate lasted to the smallest.

The Imperial Bank of Germany is, like the Bank of France, under the control of the State; it carries on a very considerable business in Berlin, and has also branches which form a network covering the whole of Germany. Including Berlin, there are 211 offices of the "Reichs-Bank." In this latter respect the business which the Bank of Germany carries on corresponds more closely with that of the Bank of France than with that of the Bank of England, and it is a curious though an entirely accidental coincidence that the number of variations in the rate of discount was exactly the same in the case of the Bank of France as in that of the Bank of Germany from 1844, and the close of the year 1877; there were eighty-five alterations in the rate recorded at each of these banks during those years, while the Bank of England altered its rate two hundred and fifty-four times during the same time; that is to say, nearly three times as often as either of the two other banks under consideration.

The year 1872 marks the date of the introduction of a gold standard into Germany. It could hardly have been expected that so colossal an operation, probably the largest of its kind which modern business has ever witnessed, could have ever been carried into effect without great disturbances of the money market in the

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countries employing a gold currency. This doubtless accounts for much of the unsteadiness of our money market during the years 1872—1875, and for many of the alterations in the rate of discount charged at Berlin during the same period.

The business of banking is probably, on the whole, more developed in Germany than in France. There are many considerable banks in Hamburg, Frankfort, Bremen, and in many of the cities of North Germany, besides many carrying on business in Berlin. Hence the Bank of Germany finds more competition to deal with than the Bank of France.

The business carried on by the Bank of Germany appears to correspond more with that carried on by the Bank of France than with that of the Bank of England. Both the Banks of France and Germany have many branches, many more than the Bank of England; both of them have a large business in remitting sums of money from one part of their respective countries to another, and the bills which both of them receive in the way of their business are comparatively small in amount. The average amount of the inland bills dealt in by the Bank of Germany in 1877 was £69—for each bill. The average amount of the trade bills discounted at Paris by the Bank of France in 1877 was £32 7s. 6d. The average amount of the bills dealt in by the Bank of England is believed to be much larger than either of these sums.

The business of the Imperial Bank of Germany on current accounts (Giro Verkehr) has considerably increased during recent years. This business has attained an importance which could scarcely have been foreseen, and will, undoubtedly, increase still more if the custom of making payments by cheques, which now in Germany is only usual in Hamburg, becomes general throughout the country. The balances derived from this source averaged about £3,500,000 in 1876, £4,900,000 in 1877, and £5,500,000, in 1878. The Bank of Germany held on an average £25,000,000 in bullion in 1876, £26,000,000 in 1877, and £24,000,000 in 1878. The

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"cover" held against the notes in circulation, consisting of bullion and notes of the Imperial Treasury, as required by paragraph 17 of the Bank Law, was about 81 per cent. of the liabilities under that head in 1877. This seems a high proportion with a rate of discount of about $4\frac{1}{2}$ per cent. The proportion was 79 per cent. in 1878. Besides the note circulation, the other liabilities must be borne in mind, and the proportion of bullion held against the total of these, and the note circulation together, amounted to something like 60 per cent. in 1877, and 61 per cent. in 1878. This is a very considerable reserve, and it may assist us in estimating its relative importance to remember that the corresponding figures in the case of the Bank of England were 45 per cent. in 1877, and 42 per cent. in 1878. The Imperial Bank of Germany has to pay interest on a considerable part of the deposits it holds, and to divide a large portion of the profit it makes with the State. It was, however, able to pay its shareholders a return of $6\frac{29}{100}$ per cent. on their capital in 1877, and $6\frac{3}{10}$ per cent. in 1878. A further comparison between the details of the operations of the Banks of England, Germany, and France is not required in this place. A sufficient outline is given for the purpose proposed—the comparison of the rate of discount ruling in the three countries under consideration, as shown in the returns of the principal banks in the same.

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TABLE X.—Monthly Averages of Rate of Bank of Germany—1844 to 1878.

1845. Average Rate of Year, £4 7s. 0d.				Rate of Year =100.	*1846.* Average Rate of Year, £4 13s. 7d.			Rate of Year =100.	*1847.* Average Rate of Year, £4 16s. 10d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	4	10	0	*104*	Jan.....	5	0	0	*107*	Jan.....	5	0	0	*103*
Feb. ...	4	10	0	*104*	Feb. ...	5	0	0	*107*	Feb. ...	5	0	0	*103*
March ..	4	7	9	*101*	March ..	4	2	9	*88*	March ..	5	0	0	*103*
April ...	4	0	0	*92*	April ...	4	0	0	*85*	April ...	5	0	0	*103*
May ...	4	0	0	*92*	May ...	4	0	0	*85*	May ...	5	0	0	*103*
June ...	4	0	0	*92*	June ...	4	0	0	*85*	June ...	5	0	0	*103*
July ...	4	0	0	*92*	July ...	5	0	0	*107*	July ...	5	0	0	*103*
August.	4	0	0	*92*	August.	5	0	0	*107*	August.	5	0	0	*103*
Sept. ...	4	0	0	*92*	Sept. ...	5	0	0	*107*	Sept. ...	4	10	0	*93*
October	4	16	6	*111*	October	5	0	0	*107*	October	4	10	0	*93*
Nov. ...	5	0	0	*115*	Nov. ...	5	0	0	*107*	Nov. ...	4	10	0	*93*
Dec. ...	5	0	0	*115*	Dec. ...	5	0	0	*107*	Dec. ...	4	10	0	*93*

1848. Average Rate of Year, £4 13s. 3d.				Rate of Year =100.	*1849.* Average Rate of Year, £4 0s. 10d.			Rate of Year =100.	*1850.* Average Rate of Year, £4 0s. 0d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	4	10	0	*97*	Jan.....	4	10	0	*111*	Jan.....	4	0	0	*100*
Feb. ...	4	10	0	*97*	Feb. ...	4	0	0	*99*	Feb. ...	4	0	0	*100*
March ..	4	13	0	*100*	March ..	4	0	0	*99*	March ..	4	0	0	*100*
April ...	5	0	0	*107*	April ...	4	0	0	*99*	April ...	4	0	0	*100*
May ...	5	0	0	*107*	May ...	4	0	0	*99*	May ...	4	0	0	*100*
June ...	5	0	0	*107*	June ...	4	0	0	*99*	June ...	4	0	0	*100*
July ...	4	16	6	*103*	July ...	4	0	0	*99*	July ...	4	0	0	*100*
August.	4	10	0	*97*	August.	4	0	0	*99*	August.	4	0	0	*100*
Sept. ...	4	10	0	*97*	Sept. ...	4	0	0	*99*	Sept. ...	4	0	0	*100*
October	4	10	0	*97*	October	4	0	0	*99*	October	4	0	0	*100*
Nov. ...	4	10	0	*97*	Nov. ...	4	0	0	*99*	Nov. ...	4	0	0	*100*
Dec. ...	4	10	0	*97*	Dec. ...	4	0	0	*99*	Dec. ...	4	0	0	*100*

1851. Average Rate of Year, £4 0s. 0d.				Rate of Year =100.	*1852.* Average Rate of Year, £4 0s. 0d.			Rate of Year =100.	*1853.* Average Rate of Year, £4 5s. 0d.			Rate of Year =100.
	£	s.	d.			£	s.	d.		£	s.	d.	
Jan.....	4	0	0	*100*	Jan.....	4	0	0	*100*	Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*	Feb. ...	4	0	0	*100*	Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*	March ..	4	0	0	*100*	March ..	4	0	0	*100*
April ...	4	0	0	*100*	April ...	4	0	0	*100*	April ...	4	0	0	*100*
May ...	4	0	0	*100*	May ...	4	0	0	*100*	May ...	4	0	0	*100*
June ...	4	0	0	*100*	June ...	4	0	0	*100*	June ...	4	0	0	*100*
July ...	4	0	0	*100*	July ...	4	0	0	*100*	July ...	4	0	0	*100*
August.	4	0	0	*100*	August.	4	0	0	*100*	August.	4	0	0	*100*
Sept. ...	4	0	0	*100*	Sept. ...	4	0	0	*100*	Sept. ...	4	0	0	*100*
October	4	0	0	*100*	October	4	0	0	*100*	October	5	0	0	*100*
Nov. ...	4	0	0	*100*	Nov. ...	4	0	0	*100*	Nov. ...	5	0	0	*100*
Dec. ...	4	0	0	*100*	Dec. ...	4	0	0	*100*	Dec. ...	5	0	0	*100*

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TABLE X. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF GERMANY.

1854. Average Rate of Year, £4 7s. 5d.	£	s.	d.	Rate of Year =100.
Jan.....	5	0	0	*114*
Feb. ...	5	0	0	*114*
March ..	5	0	0	*114*
April ...	5	0	0	*114*
May ...	4	8	9	*101*
June ...	4	0	0	*91*
July ...	4	0	0	*91*
August.	4	0	0	*91*
Sept. ...	4	0	0	*91*
October	4	0	0	*91*
Nov. ...	4	0	0	*91*
Dec. ...	4	0	0	*91*

1855. Average Rate of Year, £4 1s. 5d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*98*
Feb. ...	4	0	0	*98*
March ..	4	0	0	*98*
April ...	4	0	0	*98*
May ...	4	0	0	*98*
June ...	4	0	0	*98*
July ...	4	0	0	*98*
August.	4	0	0	*98*
Sept. ...	4	0	0	*98*
October	4	0	0	*98*
Nov. ...	4	6	9	*106*
Dec. ...	4	10	0	*110*

1856. Average Rate of Year, £4 18s. 10d.	£	s.	d.	Rate of Year =100.
Jan.....	4	19	6	*101*
Feb. ...	5	0	0	*101*
March ..	5	0	0	*101*
April ...	5	0	0	*101*
May ...	4	4	9	*86*
June ...	4	0	0	*81*
July ...	4	0	0	*81*
August.	4	0	0	*81*
Sept. ...	5	1	9	*102*
October	6	0	0	*121*
Nov. ...	6	0	0	*121*
Dec. ...	6	0	0	*121*

1857. Average Rate of Year, £5 15s. 7d.	£	s.	d.	Rate of Year =100.
Jan.....	6	0	0	*104*
Feb. ...	6	0	0	*104*
March ..	5	7	9	*93*
April ...	5	0	0	*86*
May ...	5	0	0	*86*
June ...	5	0	0	*86*
July ...	5	0	0	*86*
August.	5	6	3	*92*
Sept. ...	5	12	0	*97*
October	6	11	6	*114*
Nov. ...	7	3	3	*124*
Dec. ...	7	6	3	*127*

1858. Average Rate of Year, £4 2s. 7d.	£	s.	d.	Rate of Year =100.
Jan.....	5	14	0	*138*
Feb. ...	3	14	9	*90*
March ..	4	0	0	*97*
April ...	4	0	0	*97*
May ...	4	0	0	*97*
June ...	4	0	0	*97*
July ...	4	0	0	*97*
August.	4	0	0	*97*
Sept. ...	4	0	0	*97*
October	4	0	0	*97*
Nov. ...	4	0	0	*97*
Dec. ...	4	2	9	*100*

1859. Average Rate of Year, £4 4s. 3d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*95*
Feb. ...	4	0	0	*95*
March ..	4	0	0	*95*
April ...	4	0	0	*95*
May ...	4	18	6	*117*
June ...	5	0	0	*119*
July ...	4	12	0	*109*
August.	4	0	0	*95*
Sept. ...	4	0	0	*95*
October	4	0	0	*95*
Nov. ...	4	0	0	*95*
Dec. ...	4	0	0	*95*

1860. Average Rate of Year, £4 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1861. Average Rate of Year, £4 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1862. Average Rate of Year, £4 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

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TABLE X. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF GERMANY.

1863. Average Rate of Year, £4 1s. 6d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*98*
Feb. ...	4	0	0	*98*
March ..	4	0	0	*98*
April ...	4	0	0	*98*
May ...	4	0	0	*98*
June ...	4	0	0	*98*
July ...	4	0	0	*98*
August.	4	0	0	*98*
Sept. ...	4	0	0	*98*
October	4	0	0	*98*
Nov. ...	4	7	9	*108*
Dec. ...	4	10	0	*100*

1864. Average Rate of Year, £5 6s. 5d.	£	s.	d.	Rate of Year =100.
Jan.....	4	10	0	*85*
Feb. ...	4	10	0	*85*
March ..	4	10	0	*85*
April ...	4	10	0	*85*
May ...	5	0	9	*95*
June ...	5	0	0	*94*
July ...	5	0	0	*94*
August.	5	0	0	*94*
Sept. ...	5	13	0	*106*
October	6	18	3	*130*
Nov. ...	7	0	0	*132*
Dec. ...	6	5	6	*118*

1865. Average Rate of Year, £4 18s. 11d.	£	s.	d.	Rate of Year =100.
Jan.....	5	11	0	*112*
Feb. ...	4	5	3	*86*
March ..	4	0	0	*81*
April ...	4	0	0	*81*
May ...	4	0	0	*81*
June ...	4	0	0	*81*
July ...	4	0	0	*81*
August.	4	0	0	*81*
Sept. ...	4	16	6	*97*
October	6	14	0	*135*
Nov. ...	7	0	0	*141*
Dec. ...	7	0	0	*141*

1866. Average Rate of Year, £6 4s. 5d.	£	s.	d.	Rate of Year =100.
Jan.....	7	0	0	*112*
Feb. ...	6	4	9	*100*
March ..	6	0	0	*96*
April ...	6	0	0	*96*
May ...	8	6	3	*133*
June ...	9	0	0	*145*
July ...	7	19	9	*128*
August.	5	5	9	*85*
Sept. ...	5	0	0	*80*
October	5	1	3	*81*
Nov. ...	4	10	0	*72*
Dec. ...	4	5	9	*69*

1867. Average Rate of Year, £4 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1868. Average Rate of Year, £4 0s. 0d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*100*
Feb. ...	4	0	0	*100*
March ..	4	0	0	*100*
April ...	4	0	0	*100*
May ...	4	0	0	*100*
June ...	4	0	0	*100*
July ...	4	0	0	*100*
August.	4	0	0	*100*
Sept. ...	4	0	0	*100*
October	4	0	0	*100*
Nov. ...	4	0	0	*100*
Dec. ...	4	0	0	*100*

1869. Average Rate of Year, £4 4s. 11d.	£	s.	d.	Rate of Year =100.
Jan.....	4	0	0	*94*
Feb. ...	4	0	0	*94*
March ..	4	0	0	*94*
April ...	4	0	0	*94*
May ...	4	0	0	*94*
June ...	4	0	0	*94*
July ...	4	0	0	*94*
August.	4	0	0	*94*
Sept. ...	4	0	0	*94*
October	4	19	3	*117*
Nov. ...	5	0	0	*118*
Dec. ...	5	0	0	*118*

1870. Average Rate of Year, £4 17s. 7d.	£	s.	d.	Rate of Year =100.
Jan.....	5	0	0	*102*
Feb. ...	4	2	6	*84*
March ..	4	0	0	*82*
April ...	4	0	0	*82*
May ...	4	0	0	*82*
June ...	4	0	0	*82*
July ...	5	19	6	*122*
August.	7	7	3	*151*
Sept. ...	5	1	9	*104*
October	5	0	0	*102*
Nov. ...	5	0	0	*102*
Dec. ...	5	0	0	*102*

1871. Average Rate of Year, £4 2s. 9d.	£	s.	d.	Rate of Year =100.
Jan.....	5	0	0	*121*
Feb. ...	5	9	3	*108*
March ..	4	3	6	*101*
April ...	4	0	0	*97*
May ...	4	0	0	*97*
June ...	4	0	0	*97*
July ...	4	0	0	*97*
August.	4	0	0	*97*
Sept. ...	4	0	0	*97*
October	4	0	0	*97*
Nov. ...	4	0	0	*97*
Dec. ...	4	0	0	*97*

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TABLE X. *Continued*—MONTHLY AVERAGES OF RATE OF BANK OF GERMANY.

1872. Average Rate of Year, £4 5s. 8d.	£ s. d.	Rate of Year =100.	*1873.* Average Rate of Year, £4 19s. 4d.	£ s. d.	Rate of Year =100.	*1874.* Average Rate of Year, £4 7s. 8d.	£ s. d.	Rate of Year =100.
Jan.....	4 0 0	*93*	Jan.....	4 18 3	*99*	Jan.....	4 9 3	*102*
Feb. ...	4 0 0	*93*	Feb. ...	3 16 0	*77*	Feb. ...	4 0 0	*91*
March ..	4 0 0	*93*	March ..	4 0 0	*81*	March ..	4 0 0	*91*
April ...	4 0 0	*93*	April ...	5 0 0	*101*	April ...	4 0 0	*91*
May ...	4 0 0	*93*	May ...	6 0 3	*121*	May ...	4 0 0	*91*
June ...	4 0 0	*93*	June ...	6 0 0	*121*	June ...	4 0 0	*91*
July ...	4 0 0	*93*	July ...	6 0 3	*121*	July ...	4 0 0	*91*
August.	4 0 0	*93*	August.	4 14 3	*95*	August.	4 0 0	*91*
Sept. ...	4 8 0	*103*	Sept. ...	4 10 0	*91*	Sept. ...	4 0 0	*91*
October	5 0 0	*117*	October	4 13 0	*94*	October	4 19 9	*114*
Nov. ...	5 0 0	*117*	Nov. ...	5 0 0	*101*	Nov. ...	5 3 0	*117*
Dec. ...	5 0 0	*117*	Dec. ...	5 0 0	*101*	Dec. ...	6 0 0	*137*

1875. Average Rate of Year, £4 13s. 7d.	£ s. d.	Rate of Year =100.	*1876.* Average Rate of Year, £4 3s. 3d.	£ s. d.	Rate of Year =100.	*1877.* Average Rate of Year, £4 8s. 7d.	£ s. d.	Rate of Year =100.
Jan.....	5 5 9	*113*	Jan.....	5 12 3	*135*	Jan.....	4 3 0	*94*
Feb. ...	4 0 0	*85*	Feb. ...	3 18 9	*95*	Feb. ...	4 0 0	*90*
March ..	4 0 0	*85*	March ..	4 0 0	*96*	March ..	4 0 0	*90*
April ...	4 0 0	*85*	April ...	4 0 0	*96*	April ...	4 0 0	*90*
May ...	4 0 0	*85*	May ...	3 17 3	*93*	May ...	4 14 6	*106*
June ...	4 0 0	*85*	June ...	3 10 0	*84*	June ...	4 9 3	*101*
July ...	4 13 3	*100*	July ...	3 17 9	*93*	July ...	4 0 0	*90*
August.	5 0 0	*107*	August.	4 0 0	*96*	August.	4 0 0	*90*
Sept. ...	5 3 0	*110*	Sept. ...	4 0 0	*96*	Sept. ...	4 10 6	*102*
October	6 0 0	*128*	October	4 3 6	*100*	October	5 11 0	*126*
Nov. ...	5 1 0	*108*	Nov. ...	4 10 0	*108*	Nov. ...	5 2 6	*116*
Dec. ...	5 0 0	*107*	Dec. ...	4 10 0	*108*	Dec. ...	4 12 6	*104*

1878. Average Rate of Year, £4 6s. 9d.	£ s. d.	Rate of Year =100.	*1845-78.* Average Rate of 34 Years, £4 8s. 10d.	£ s. d.	Rate of 34 Yrs. =100.
January	4 8 6	*102*	January	4 12 4	*104*
February	4 0 0	*92*	February	4 6 6	*97*
March.	4 0 0	*92*	March	4 14 10	*107*
April.....	4 0 0	*92*	April.....	4 14 11	*107*
May	4 0 0	*92*	May	4 7 5	*98*
June	4 0 0	*92*	June	4 7 0	*98*
July	4 0 0	*92*	July	4 8 2	*99*
August.....	4 3 0	*96*	August.....	4 6 7	*97*
September	5 0 0	*115*	September	4 7 6	*98*
October	5 0 0	*115*	October	4 14 5	*106*
November	5 0 0	*115*	November	4 14 9	*107*
December.....	4 15 3	*109*	December.....	4 14 4	*106*

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TABLE XI.—Table of the Changes in the Rate of Discount Charged by the Bank of Germany, and the Number of Days at Each Rate in Each Year, since the 1st September, 1844 (the Year the Bank Act came into Operation in England), to December 31st, 1878.

Years.	No. of Changes.			3½ %	4 %	4½ %	5 %	5½ %	6 %	6½ %	7 %	7½ %	8 %	9 %	Total.
	Rise.	Fall.	Total	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.
1844	1	...	1	...	41	76	...	...	...	...	...	...	...	...	117
1845	1	1	2	...	204	78	83	...	...	...	...	...	...	...	365
1846	1	1	2	...	121	...	244	...	...	...	...	...	...	...	365
1847	...	1	1	...	...	122	243	...	...	...	...	...	...	...	365
1848	1	1	2	...	...	256	110	...	...	...	...	...	...	...	366
1849	...	1	1	...	314	51	...	...	...	...	...	...	...	...	365
1850	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1851	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1852	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1853	1	...	1	...	273	...	92	...	...	...	...	...	...	...	365
1854	...	1	1	...	234	...	131	...	...	...	...	...	...	...	365
1855	1	...	1	...	310	55	...	...	...	...	...	...	...	...	365
1856	3	1	4	...	121	7	138	...	100	...	...	...	...	...	366
1857	4	2	6	...	...	...	162	32	82	45	...	44	...	...	365
1858	1	4	5	...	330	...	19	11	...	5	...	...	...	...	365
1859	1	1	2	...	293	...	72	...	...	...	...	...	...	...	365
1860	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1861	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1862	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1863	1	...	1	...	307	58	...	...	...	...	...	...	...	...	365
1864	3	1	4	...	...	124	128	...	54	...	60	...	...	...	366
1865	3	2	5	...	198	...	64	...	21	...	82	...	...	...	365
1866	1	7	8	...	18	45	87	...	79	...	68	...	5	63	365
1867	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1868	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1869	1	...	1	...	277	...	88	...	...	...	...	...	...	...	365
1870	2	3	5	...	150	...	163	...	20	...	...	...	32	...	365
1871	...	2	2	...	300	14	51	...	...	...	...	...	...	...	365
1872	1	...	1	...	260	...	106	...	...	...	...	...	...	...	366
1873	3	4	7	...	53	98	128	...	86	...	...	...	...	...	365
1874	2	2	4	...	257	14	56	...	38	...	...	...	...	...	365
1875	2	3	5	...	168	...	131	...	66	...	...	...	...	...	365
1876	3	3	6	54	210	67	19	...	16	...	...	...	...	...	366
1877	3	4	7	...	214	33	78	40	...	...	...	...	...	...	365
1878	1	2	3	...	220	41	104	...	...	...	...	...	...	...	365
	41	47	88	54	7,796	1,139	2,497	83	562	50	210	44	37	63	12,535

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CHAPTER XI.

SOME REMARKS ON THE RATE OF DISCOUNT OF THE BANKS OF ENGLAND, FRANCE, AND GERMANY.

A REVIEW of some of the more important points of similarity and contrast in the operations and the rate of discount of the three banks of England, France, and Germany, will not be out of place here.

In one respect there is a difference between the rate charged at the Bank of Germany and those charged at the other two banks between the years 1844 and 1878, and that is in the minimum rate of discount charged. Both the Bank of England and the Bank of France occasionally lowered their rates below 3 per cent. in the course of those years. During the period under review the rate charged by the Bank of England was as the rates named below :—

Bank of England, 1844 to 1878.	Days.
2 per cent. for	1,447
2½ „	28
2¼ „	1,870
	3,345

That is to say, for more than one-fourth of the whole time at these low rates. Though the average rate charged by the Bank of France was not quite so low as that charged by the Bank of England, it has sometimes

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charged less than 3 per cent. for a considerable period. The rates in the time under our notice were as follows :—

Bank of France, 1844 to 1878.	Days.
2 per cent. for	559
2½ „	1,144
	1,703

Thus, in France, extremely low rates only prevailed for less than half the time that they did in England, but still in France the time which rates of 2 and 2½ per cent. lasted was nearly one-eighth of the whole, a far from unimportant fraction. While, however, extremely low rates have thus prevailed for a considerable time in England, and for a long period, though not equally long, in France, the rate at Berlin never once dropped so low as 3 per cent., and was at 3½ per cent. for 54 days only during the years under our immediate notice. The rate was, however, fixed at 3 per cent. on March 21st, 1879, a point which had never been previously quoted. In one respect there is a similarity observable between the rate charged at Paris and at Berlin. In both cases the greatest number of days is recorded when the rate stood at 4 per cent., and in both cases also the next largest number to 4 per cent. was 5 per cent.

The particulars are as follows :—

Bank of France, 1844 to 1878.	Days.
4 per cent. for	4,399
5 „	1,935
	6,334

Bank of Germany, 1844 to 1878.	Days.
4 per cent. for	7,796
5 „	2,497
	10,293

The corresponding figures in England were :—

Bank of England, 1844 to 1878.	Days.
4 per cent. for	1,314
5 „	1,210
	2,524

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It hence appears that these comparatively high rates were charged for the longest time in Germany; the next longest in France; and for the shortest time in England. But if the rate never fell below 3½ per cent. in Berlin between 1844 and 1878, it never rose above 9 per cent., and, indeed, stood at that high point for 63 days only during the period under consideration, that is to say for a very inconsiderable fraction of the whole time. The average of the rate, however, charged in Berlin was higher than at London or at Paris. But the rate charged at Berlin was, though slightly, yet on the whole, the highest of the three banks; for if there were but comparatively few days at which extremely high rates of interest were charged, the length of time during which 5 per cent. and 4 per cent. lasted at Berlin has caused the average rate to be comparatively high. For the remaining variations in the rate we must refer our readers to the summary table at the end of this chapter, in which all the variations of the rate at each of the three banks are given.

There have been at Berlin as well as at Paris some years in which the rate of discount never varied at all, and there has been one year, though but one, at the Bank of England in which a similar occurrence took place. The particulars are as follows :—

YEARS IN WHICH NO CHANGE TOOK PLACE IN THE RATE OF DISCOUNT, 1844 TO 1878.

Bank of England.	Bank of France.	Bank of Germany.
1851	1844	1850
—	1845	1851
—	1846	1852
—	1848	1860
—	1849	1861
—	1850	1862
—	1851	1867
—	1868	1868
—	1869	—
—	1875	—

It will be observed from this table that there was one year alone in which all the three banks coincided in making no alterations in the rate charged, and that was in 1851. In one particular, and that not an unim-

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portant one, there is a correspondence in the transactions of the Bank of England and the Bank of Germany, and that is in the great number of the variations in the rate of discount during recent years. It will assist us to compare the number of variations in the years from 1870 to 1878 :—

VARIATIONS IN THE RATES OF DISCOUNT, 1870 TO 1878.

Years.	Bank of England. Number of Variations in Rate.	Bank of France. Number of Variations in Rate.	Bank of Germany. Number of Variations in Rate.
1870	10	4	5
1871	10	2	2
1872	14	1	1
1873	24	4	7
1874	13	2	4
1875	12	...	5
1876	5	1	6
1877	7	1	7
1878	10	1	3
	105	16	40
Total amount of variations from 1844 to 1878	264	86	88

The rate charged by the Bank of France remained but little altered during this particular period. Still, on examining the general table of variations, the same rule holds good throughout, that there has been of recent years a far greater number of variations in the rate of discount charged.

This tendency to greater variations in intensity, and to a greater number of fluctuations, must be expected to increase as commerce extends, and as business transactions not only become more numerous, but more closely connected. As is well known, the amount of foreign money employed in the London money market increased much during recent years, though, after the failure of the City of Glasgow Bank, it has distinctly diminished. When the London rate is lower than that ruling on the Continent, there is, of course, less inducement for English bills to be held in foreign countries. Hitherto, though enormous sums of English capital have been sent about to almost every country in the world, it has rather been directed to more fixed and

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permanent investments than to employment in the money markets of foreign cities and capitals. The bonds of foreign Governments, of foreign railways, investments in industrial undertakings of almost every class, have all been largely supported by English capital. There is no need to make any detailed statement on this point, as the fact is so well known. But while the bonds of many foreign Governments are perfectly familiar to the English investor, he has scarcely any knowledge whatever of, or any experience in transactions in foreign bills. Hence, there are few, it almost might be said there are hardly any, foreign bills held in England; but the reverse of this is the case on the money markets of the Continent of Europe, where English bills are not uncommonly held.

These bills can be forwarded to this country for collection in case their holders want the money, or the amount represented by them may be reinvested in fresh bills when the holders desire it. They provide thus a most convenient reserve for those who hold them. It has been the feeling of confidence that first-class English bills would be paid in gold which has given them their position. The bonds of foreign Governments may be said to hold much the same place in England for these purposes that commercial bills on England do abroad, and often serve the purpose of making a remittance. Thus during the autumn and winter of 1877 a very large quantity of foreign bonds, such as Russian and American bonds—particularly American Funded Loan—were sold by holders in this country and remitted to the Continent and to America. This circumstance doubtless tended to check the demand for gold for export which would probably otherwise have arisen. In this instance, the holding these bonds in this country has been a service to us by preventing a drain on our bullion reserves which might have been very inconvenient. But it must be remembered that the current might equally, had circumstances favoured it, have turned in the other direction. And had the value of money risen on the principal money markets of Europe, or had

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there been any great uncertainty about the prospects of foreign politics, a very considerable drain on our bullion reserve might have been made through the means of those English commercial and Treasury Bills held at that time so largely abroad.

As this practice extends, and as the communication between the money market of this country and those of the rest of Europe becomes closer, we must expect to see greater fluctuations occur in our own market. And the conclusion is obvious, that we are bound to take every precaution not only as to care in the details of business, but also by the formation and maintenance of a large bullion reserve in this country to meet the sudden demands which may, at any moment, be made on us. We reap a great advantage from the fact that our money market is the point where so many monetary transactions are carried on. We reap a great advantage also from the fact that commerce so largely centres in this country; but unless our position in the matter of reserves is a strong one, we shall be sure one day or another to find that the circumstances just referred to expose our business transactions to a great peril. We have attained our present position by unremitting exertion; the same exertion must be continued if we desire to maintain it.

The evidence of increasing closeness of connection between the principal money markets of Europe, which is given by the tables of variation in the rates of discount charged in them, has led to these remarks. We must be content to keep a larger supply of "unused money" ready to meet the demands which may be made at any moment, if we desire to see a greater uniformity in the rate of discount charged here, and a diminution of those fluctuations which have of recent years caused so many perturbations in our market.

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TABLE XII.—Average Monthly Minimum Rate of Discount of the Banks of England, France, and Germany, for the Seventeen Years, 1845-1861, 1862-1878, and for the Thirty-Four Years, 1845-1878.

BANK OF ENGLAND.

	1845–61. Average Rate of 17 Years, £3 19s. 9d.			Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £3 16s. 5d.			Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £3 17s. 9d.			Rate of 34 Years =100.
	£	s.	d.		£	s.	d.		£	s.	d.	
Jan.....	4	1	4	*101*	3	19	9	*104*	4	0	6	*103*
Feb. ...	3	19	3	*99*	3	10	9	*92*	3	15	0	*96*
March ..	4	0	4	*100*	3	10	0	*91*	3	15	2	*96*
April ...	3	18	8	*99*	3	10	4	*91*	3	14	6	*95*
May ...	4	1	6	*101*	4	0	8	*105*	4	1	1	*104*
June ...	3	16	9	*96*	3	15	2	*98*	3	15	11	*98*
July ...	3	14	10	*94*	3	11	10	*94*	3	13	4	*94*
August.	3	12	11	*92*	3	13	6	*95*	3	13	2	*94*
Sept. ...	3	12	6	*91*	3	7	6	*88*	3	10	0	*90*
October	4	1	0	*101*	4	4	1	*110*	4	2	6	*105*
Nov. ...	4	7	4	*109*	4	10	1	*118*	4	8	8	*114*
Dec. ...	4	4	7	*106*	4	4	4	*110*	4	4	5	*108*

BANK OF FRANCE.

	1845–61. Average Rate of 17 Years, £4 4s. 11d.			Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £3 17s. 1d.			Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £4 1s. 5d.			Rate of 34 Years =100.
	£	s.	d.		£	s.	d.		£	s.	d.	
Jan.....	4	7	7	*103*	4	4	1	*109*	4	5	10	*105*
Feb. ...	4	7	9	*103*	4	1	2	*105*	4	4	5	*103*
March ..	4	5	9	*101*	3	19	4	*103*	4	2	7	*101*
April ...	4	3	0	*98*	3	14	10	*98*	3	18	11	*97*
May ...	4	3	5	*98*	3	15	11	*99*	3	19	8	*97*
June ...	4	2	3	*96*	3	12	1	*94*	3	17	2	*94*
July ...	4	1	9	*96*	3	12	10	*96*	3	17	3	*94*
August.	4	1	4	*95*	3	14	6	*97*	3	17	11	*95*
Sept. ...	4	1	1	*95*	3	14	9	*98*	3	17	11	*95*
October	4	6	10	*103*	4	0	5	*104*	4	3	7	*102*
Nov. ...	4	10	0	*106*	4	3	6	*108*	4	6	9	*106*
Dec. ...	4	9	2	*104*	4	0	9	*106*	4	4	11	*104*

BANK OF GERMANY.

	1845–61. Average Rate of 17 Years, £4 9s. 4d.			Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £4 10s. 8d.			Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £4 8s. 10d.			Rate of 34 Years =100.
	£	s.	d.		£	s.	d.		£	s.	d.	
Jan.....	4	10	9	*102*	4	14	0	*104*	4	12	4	*104*
Feb. ...	4	7	11	*98*	4	5	1	*94*	4	6	6	*97*
March ..	4	6	6	*97*	4	3	2	*91*	4	14	10	*107*
April ...	4	5	10	*96*	4	4	1	*92*	4	14	11	*107*
May ...	4	5	5	*95*	4	9	4	*98*	4	7	5	*98*
June ...	4	4	8	*95*	4	9	4	*98*	4	7	0	*98*
July ...	4	5	2	*95*	4	11	2	*100*	4	8	2	*99*
August.	4	4	5	*94*	4	8	10	*98*	4	6	7	*97*
Sept. ...	4	5	6	*95*	4	9	7	*98*	4	7	6	*98*
October	4	10	0	*101*	4	18	10	*109*	4	14	5	*106*
Nov. ...	4	11	2	*102*	4	18	5	*108*	4	14	9	*107*
Dec. ...	4	11	8	*103*	4	17	7	*108*	4	14	7	*106*

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TABLE XIII.—Banks of England, France, and Germany. Rate of Discount, 1844—1878. The Number of Days at each Rate, Arranged from the Highest Number to the Lowest.

Bank of England.			Bank of France.			Bank of Germany.		
Number of Days, 12,535.	Per Cent.	Number of Days =1,000.	Number of Days, 12,535.	Per Cent.	Number of Days =1,000.	Number of Days, 12,535.	Per Cent.	Number of Days =1,000.
2,773	3	*221*	4,399	4	*351*	7,796	4	*622*
1,870	2½	*149*	1,935	5	*154*	2,497	5	*199*
1,447	2	*115*	1,594	3	*127*	1,139	4½	*91*
1,314	4	*105*	1,170	6	*93*	562	6	*45*
1,272	3½	*102*	1,144	2½	*92*	210	7	*17*
1,210	5	*97*	1,002	3½	*80*	83	5½	*7*
725	6	*58*	559	2	*45*	63	9	*5*
577	7	*46*	286	7	*23*	54	3½	*4*
465	4½	*37*	240	4½	*19*	50	6½	*4*
268	8	*21*	120	5½	*10*	44	7½	*3*
259	5½	*21*	41	8	*3*	37	8	*3*
141	10	*11*	21	7½	*2*			
95	9	*8*	16	9	*1*			
91	6½	*7*	8	6½				
28	2¼	*2*						
12,535		*1,000*	12,535		*1,000*	12,535		*1,000*

TABLE XIII. *Continued.*—Banks of England, France, and Germany. Rate of Discount, 1844—1878. The Number of Days at each Rate, Arranged from the Lowest Rate to the Highest.

Bank of England.			Bank of France.			Bank of Germany.		
Per Cent.	Number of Days, 12,535.	Number of Days =1,000.	Per Cent.	Number of Days, 12,535.	Number of Days =1,000.	Per Cent.	Number of Days, 12,535.	Number of Days =1,000.
2	1,447	*115*	2	559	*45*	3½	54	*4*
2¼	28	*2*	2½	1,144	*92*	4	7,796	*622*
2½	1,870	*149*	3	1,594	*127*	4½	1,139	*91*
3	2,773	*221*	3½	1,002	*80*	5	2,497	*199*
3½	1,272	*102*	4	4,399	*351*	5½	83	*7*
4	1,314	*105*	4½	240	*19*	6	562	*45*
4½	465	*37*	5	1,935	*154*	6½	50	*4*
5	1,210	*97*	5½	120	*10*	7	210	*17*
5½	259	*21*	6	1,170	*93*	7½	44	*3*
6	725	*58*	6½	8	...	8	37	*3*
6½	91	*7*	7	286	*23*	9	63	*5*
7	577	*46*	7½	21	*2*			
8	268	*21*	8	41	*3*			
9	95	*8*	9	16	*1*			
10	141	*11*						
	12,535	*1,000*		12,535	*1,000*		12,535	*1,000*

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CHAPTER XII.

BILLS DISCOUNTED AND TEMPORARY ADVANCES OF THE BANK OF ENGLAND.

THE manner in which the deposits held by the Bank are invested requires our attention.

The securities held by the Bank of England are divided in the usual weekly statements between the two heads of "Government" and "other" securities. It has not been thought necessary to make any analysis of the Government securities held by the Bank, as a large proportion of these securities, and, in particular, the amounts held in the circulation department, are so permanent in amount that no detailed statement appeared likely to be generally useful. The "other" securities are not included as a whole in the returns on which this analysis is based, but as a statement of their average amount would be of service in this investigation it has been supplied from the ordinary weekly accounts.

The total annual average amount of the "other" securities will be found in col. 18 of Table I.

The increase in the sums thus held is large, and in a general way proportionate to the increase in the deposits.

Mr. Thomson Hankey intimated, in his remarks on the working and management of the Bank of England, that, while the deposits of the Bank should be invested in

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TABLE XI.—Table of the Changes in the Rate of Discount Charged by the Bank of Germany, and the Number of Days at Each Rate in Each Year, since the 1st September, 1844 (the Year the Bank Act came into Operation in England), to December 31st, 1878.

Years.	No. of Changes.			3½ %	4 %	4½ %	5 %	5½ %	6 %	6½ %	7 %	7½ %	8 %	9 %	Total.
	Rise.	Fall.	Total	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.	Days.
1844	1	...	1	...	41	76	...	...	...	...	...	...	...	...	117
1845	1	1	2	...	204	78	83	...	...	...	...	...	...	...	365
1846	1	1	2	...	121	...	244	...	...	...	...	...	...	...	365
1847	...	1	1	...	...	122	243	...	...	...	...	...	...	...	365
1848	1	1	2	...	...	256	110	...	...	...	...	...	...	...	366
1849	...	1	1	...	314	51	...	...	...	...	...	...	...	...	365
1850	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1851	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1852	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1853	1	...	1	...	273	...	92	...	...	...	...	...	...	...	365
1854	...	1	1	...	234	...	131	...	...	...	...	...	...	...	365
1855	1	...	1	...	310	55	...	...	...	...	...	...	...	...	365
1856	3	1	4	...	121	7	138	...	100	...	...	...	...	...	366
1857	4	2	6	...	...	...	162	32	82	45	...	44	...	...	365
1858	1	4	5	...	330	...	19	11	...	5	...	...	...	...	365
1859	1	1	2	...	293	...	72	...	...	...	...	...	...	...	365
1860	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1861	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1862	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1863	1	...	1	...	307	58	...	...	...	...	...	...	...	...	365
1864	3	1	4	...	...	124	128	...	54	...	60	...	...	...	366
1865	3	2	5	...	198	...	64	...	21	...	82	...	...	...	365
1866	1	7	8	...	18	45	87	...	79	...	68	...	5	63	365
1867	...	...	...	...	365	...	...	...	...	...	...	...	...	...	365
1868	...	...	...	...	366	...	...	...	...	...	...	...	...	...	366
1869	1	...	1	...	277	...	88	...	...	...	...	...	...	...	365
1870	2	3	5	...	150	...	163	...	20	...	...	...	32	...	365
1871	...	2	2	...	300	14	51	...	...	...	...	...	...	...	365
1872	1	...	1	...	260	...	106	...	...	...	...	...	...	...	366
1873	3	4	7	...	53	98	128	...	86	...	...	...	...	...	365
1874	2	2	4	...	257	14	56	...	38	...	...	...	...	...	365
1875	2	3	5	...	168	...	131	...	66	...	...	...	...	...	365
1876	3	3	6	54	210	67	19	...	16	...	...	...	...	...	366
1877	3	4	7	...	214	33	78	40	...	...	...	...	...	...	365
1878	1	2	3	...	220	41	104	...	...	...	...	...	...	...	365
	41	47	88	54	7,796	1,139	2,497	83	562	50	210	44	37	63	12,535

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Bank of England, 1844 to 1878.	Days.
2 per cent. for	1,447
2½ „	28
2½ „	1,870
	3,345

That is to say, for more than one-fourth of the whole time at these low rates. Though the average rate charged by the Bank of France was not quite so low as that charged by the Bank of England, it has sometimes

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Bank of France, 1844 to 1878.	Days.
2 per cent. for	559
2½ „	1,144
	1,703

Thus, in France, extremely low rates only prevailed for less than half the time that they did in England, but still in France the time which rates of 2 and 2½ per cent. lasted was nearly one-eighth of the whole, a far from unimportant fraction. While, however, extremely low rates have thus prevailed for a considerable time in England, and for a long period, though not equally long, in France, the rate at Berlin never once dropped so low as 3 per cent., and was at 3½ per cent. for 54 days only during the years under our immediate notice. The rate was, however, fixed at 3 per cent. on March 21st, 1879, a point which had never been previously quoted. In one respect there is a similarity observable between the rate charged at Paris and at Berlin. In both cases the greatest number of days is recorded when the rate stood at 4 per cent., and in both cases also the next largest number to 4 per cent. was 5 per cent.

The particulars are as follows :—

Bank of France, 1844 to 1878.	Days.
4 per cent. for	4,399
5 „	1,935
	6,334

Bank of Germany, 1844 to 1878.	Days.
4 per cent. for	7,796
5 „	2,497
	10,293

The corresponding figures in England were :—

Bank of England, 1844 to 1878.	Days.
4 per cent. for	1,314
5 „	1,210
	2,524

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It hence appears that these comparatively high rates were charged for the longest time in Germany; the next longest in France; and for the shortest time in England. But if the rate never fell below 3½ per cent. in Berlin between 1844 and 1878, it never rose above 9 per cent., and, indeed, stood at that high point for 63 days only during the period under consideration, that is to say for a very inconsiderable fraction of the whole time. The average of the rate, however, charged in Berlin was higher than at London or at Paris. But the rate charged at Berlin was, though slightly, yet on the whole, the highest of the three banks; for if there were but comparatively few days at which extremely high rates of interest were charged, the length of time during which 5 per cent. and 4 per cent. lasted at Berlin has caused the average rate to be comparatively high. For the remaining variations in the rate we must refer our readers to the summary table at the end of this chapter, in which all the variations of the rate at each of the three banks are given.

There have been at Berlin as well as at Paris some years in which the rate of discount never varied at all, and there has been one year, though but one, at the Bank of England in which a similar occurrence took place. The particulars are as follows:—

YEARS IN WHICH NO CHANGE TOOK PLACE IN THE RATE OF DISCOUNT, 1844 TO 1878.

Bank of England.	Bank of France.	Bank of Germany.
1851	1844	1850
—	1845	1851
—	1846	1852
—	1848	1860
—	1849	1861
—	1850	1862
—	1851	1867
—	1868	1868
—	1869	—
—	1875	—

It will be observed from this table that there was one year alone in which all the three banks coincided in making no alterations in the rate charged, and that was in 1851. In one particular, and that not an unim-

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portant one, there is a correspondence in the transactions of the Bank of England and the Bank of Germany, and that is in the great number of the variations in the rate of discount during recent years. It will assist us to compare the number of variations in the years from 1870 to 1878 :—

VARIATIONS IN THE RATES OF DISCOUNT, 1870 TO 1878.

Years.	Bank of England. Number of Variations in Rate.	Bank of France. Number of Variations in Rate.	Bank of Germany. Number of Variations in Rate.
1870	10	4	5
1871	10	2	2
1872	14	1	1
1873	24	4	7
1874	13	2	4
1875	12	...	5
1876	5	1	6
1877	7	1	7
1878	10	1	3
	105	16	40
Total amount of variations from 1844 to 1878	264	86	88

The rate charged by the Bank of France remained but little altered during this particular period. Still, on examining the general table of variations, the same rule holds good throughout, that there has been of recent years a far greater number of variations in the rate of discount charged.

This tendency to greater variations in intensity, and to a greater number of fluctuations, must be expected to increase as commerce extends, and as business transactions not only become more numerous, but more closely connected. As is well known, the amount of foreign money employed in the London money market increased much during recent years, though, after the failure of the City of Glasgow Bank, it has distinctly diminished. When the London rate is lower than that ruling on the Continent, there is, of course, less inducement for English bills to be held in foreign countries. Hitherto, though enormous sums of English capital have been sent about to almost every country in the world, it has rather been directed to more fixed and

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permanent investments than to employment in the money markets of foreign cities and capitals. The bonds of foreign Governments, of foreign railways, investments in industrial undertakings of almost every class, have all been largely supported by English capital. There is no need to make any detailed statement on this point, as the fact is so well known. But while the bonds of many foreign Governments are perfectly familiar to the English investor, he has scarcely any knowledge whatever of, or any experience in transactions in foreign bills. Hence, there are few, it almost might be said there are hardly any, foreign bills held in England; but the reverse of this is the case on the money markets of the Continent of Europe, where English bills are not uncommonly held.

These bills can be forwarded to this country for collection in case their holders want the money, or the amount represented by them may be reinvested in fresh bills when the holders desire it. They provide thus a most convenient reserve for those who hold them. It has been the feeling of confidence that first-class English bills would be paid in gold which has given them their position. The bonds of foreign Governments may be said to hold much the same place in England for these purposes that commercial bills on England do abroad, and often serve the purpose of making a remittance. Thus during the autumn and winter of 1877 a very large quantity of foreign bonds, such as Russian and American bonds—particularly American Funded Loan—were sold by holders in this country and remitted to the Continent and to America. This circumstance doubtless tended to check the demand for gold for export which would probably otherwise have arisen. In this instance, the holding these bonds in this country has been a service to us by preventing a drain on our bullion reserves which might have been very inconvenient. But it must be remembered that the current might equally, had circumstances favoured it, have turned in the other direction. And had the value of money risen on the principal money markets of Europe, or had

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there been any great uncertainty about the prospects of foreign politics, a very considerable drain on our bullion reserve might have been made through the means of those English commercial and Treasury Bills held at that time so largely abroad.

As this practice extends, and as the communication between the money market of this country and those of the rest of Europe becomes closer, we must expect to see greater fluctuations occur in our own market. And the conclusion is obvious, that we are bound to take every precaution not only as to care in the details of business, but also by the formation and maintenance of a large bullion reserve in this country to meet the sudden demands which may, at any moment, be made on us. We reap a great advantage from the fact that our money market is the point where so many monetary transactions are carried on. We reap a great advantage also from the fact that commerce so largely centres in this country; but unless our position in the matter of reserves is a strong one, we shall be sure one day or another to find that the circumstances just referred to expose our business transactions to a great peril. We have attained our present position by unremitting exertion; the same exertion must be continued if we desire to maintain it.

The evidence of increasing closeness of connection between the principal money markets of Europe, which is given by the tables of variation in the rates of discount charged in them, has led to these remarks. We must be content to keep a larger supply of "unused money" ready to meet the demands which may be made at any moment, if we desire to see a greater uniformity in the rate of discount charged here, and a diminution of those fluctuations which have of recent years caused so many perturbations in our market.

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TABLE XII.—Average Monthly Minimum Rate of Discount of the Banks of England, France, and Germany, for the Seventeen Years, 1845-1861, 1862-1878, and for the Thirty-Four Years, 1845-1878.

BANK OF ENGLAND.

1845–61. Average Rate of 17 Years, £3 19s. 9d.	£	s.	d.	Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £3 16s. 5d.	£	s.	d.	Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £3 17s. 9d.	£	s.	d.	Rate of 34 Years =100.
Jan.....	4	1	4	*101*	Jan.....	3	19	9	*104*	Jan.....	4	0	6	*103*
Feb. ...	3	19	3	*99*	Feb. ...	3	10	9	*92*	Feb. ...	3	15	0	*96*
March ..	4	0	4	*100*	March ..	3	10	0	*91*	March ..	3	15	2	*96*
April ...	3	18	8	*99*	April ...	3	10	4	*91*	April ...	3	14	6	*95*
May ...	4	1	6	*101*	May ...	4	0	8	*105*	May ...	4	1	1	*104*
June ...	3	16	9	*96*	June ...	3	15	2	*98*	June ...	3	15	11	*98*
July ...	3	14	10	*94*	July ...	3	11	10	*94*	July ...	3	13	4	*94*
August.	3	12	11	*92*	August.	3	13	6	*95*	August.	3	13	2	*94*
Sept. ...	3	12	6	*91*	Sept. ...	3	7	6	*88*	Sept. ...	3	10	0	*90*
October	4	1	0	*101*	October	4	4	1	*110*	October	4	2	6	*105*
Nov. ...	4	7	4	*109*	Nov. ...	4	10	1	*118*	Nov. ...	4	8	8	*114*
Dec. ...	4	4	7	*106*	Dec. ...	4	4	4	*110*	Dec. ...	4	4	5	*108*

BANK OF FRANCE.

1845–61. Average Rate of 17 Years, £4 4s. 11d.	£	s.	d.	Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £3 17s. 1d.	£	s.	d.	Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £4 1s. 5d.	£	s.	d.	Rate of 34 Years =100.
Jan.....	4	7	7	*103*	Jan.....	4	4	1	*109*	Jan.....	4	5	10	*105*
Feb. ...	4	7	9	*103*	Feb. ...	4	1	2	*105*	Feb. ...	4	4	5	*103*
March ..	4	5	9	*101*	March ..	3	19	4	*103*	March ..	4	2	7	*101*
April ...	4	3	0	*98*	April ...	3	14	10	*98*	April ...	3	18	11	*97*
May ...	4	3	5	*98*	May ...	3	15	11	*99*	May ...	3	19	8	*97*
June ...	4	2	3	*96*	June ...	3	12	1	*94*	June ...	3	17	2	*94*
July ...	4	1	9	*96*	July ...	3	12	10	*96*	July ...	3	17	3	*94*
August.	4	1	4	*95*	August.	3	14	6	*97*	August.	3	17	11	*95*
Sept. ...	4	1	1	*95*	Sept. ...	3	14	9	*98*	Sept. ...	3	17	11	*95*
October	4	6	10	*103*	October	4	0	5	*104*	October	4	3	7	*102*
Nov. ...	4	10	0	*106*	Nov. ...	4	3	6	*108*	Nov. ...	4	6	9	*106*
Dec. ...	4	9	2	*104*	Dec. ...	4	0	9	*106*	Dec. ...	4	4	11	*104*

BANK OF GERMANY.

1845–61. Average Rate of 17 Years, £4 9s. 4d.	£	s.	d.	Rate of 17 Years =100.	*1862–78.* Average Rate of 17 Years, £4 10s. 8d.	£	s.	d.	Rate of 17 Years =100.	*1845–78.* Average Rate of 34 Years, £4 8s. 10d.	£	s.	d.	Rate of 34 Years =100.
Jan.....	4	10	9	*102*	Jan.....	4	14	0	*104*	Jan.....	4	12	4	*104*
Feb. ...	4	7	11	*98*	Feb. ...	4	5	1	*94*	Feb. ...	4	6	6	*97*
March ..	4	6	6	*97*	March ..	4	3	2	*91*	March ..	4	14	10	*107*
April ...	4	5	10	*96*	April ...	4	4	1	*92*	April ...	4	14	11	*107*
May ...	4	5	5	*95*	May ...	4	9	4	*98*	May ...	4	7	5	*98*
June ...	4	4	8	*95*	June ...	4	9	4	*98*	June ...	4	7	0	*98*
July ...	4	5	2	*95*	July ...	4	11	2	*100*	July ...	4	8	2	*99*
August.	4	4	5	*94*	August.	4	8	10	*98*	August.	4	6	7	*97*
Sept. ...	4	5	6	*95*	Sept. ...	4	9	7	*98*	Sept. ...	4	7	6	*98*
October	4	10	0	*101*	October	4	18	10	*109*	October	4	14	5	*106*
Nov. ...	4	11	2	*102*	Nov. ...	4	18	5	*108*	Nov. ...	4	14	9	*107*
Dec. ...	4	11	8	*103*	Dec. ...	4	17	7	*108*	Dec. ...	4	14	7	*106*

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TABLE XIII.—Banks of England, France, and Germany. Rate of Discount, 1844—1878. The Number of Days at each Rate, Arranged from the Highest Number to the Lowest.

Bank of England.			Bank of France.			Bank of Germany.		
Number of Days, 12,535.	Per Cent.	Number of Days =1,000.	Number of Days, 12,535.	Per Cent.	Number of Days =1,000.	Number of Days, 12,535.	Per Cent.	Number of Days =1,000.
2,773	3	*221*	4,399	4	*351*	7,796	4	*622*
1,870	2½	*149*	1,935	5	*154*	2,497	5	*199*
1,447	2	*115*	1,594	3	*127*	1,139	4½	*91*
1,314	4	*105*	1,170	6	*93*	562	6	*45*
1,272	3½	*102*	1,144	2½	*92*	210	7	*17*
1,210	5	*97*	1,002	3½	*80*	83	5½	*7*
725	6	*58*	559	2	*45*	63	9	*5*
577	7	*46*	286	7	*23*	54	3½	*4*
465	4½	*37*	240	4½	*19*	50	6½	*4*
268	8	*21*	120	5½	*10*	44	7½	*3*
259	5½	*21*	41	8	*3*	37	8	*3*
141	10	*11*	21	7½	*2*			
95	9	*8*	16	9	*1*			
91	6½	*7*	8	6½				
28	2½	*2*						
12,535		*1,000*	12,535		*1,000*	12,535		*1,000*

TABLE XIII. *Continued.*—Banks of England, France, and Germany. Rate of Discount, 1844—1878. The Number of Days at each Rate, Arranged from the Lowest Rate to the Highest.

Bank of England.			Bank of France.			Bank of Germany.		
Per Cent.	Number of Days, 12,535.	Number of Days =1,000.	Per Cent.	Number of Days, 12,535.	Number of Days =1,000.	Per Cent.	Number of Days, 12,535.	Number of Days =1,000.
2	1,447	*115*	2	559	*45*	3½	54	*4*
2½	28	*2*	2½	1,144	*92*	4	7,796	*622*
2½	1,870	*149*	3	1,594	*127*	4½	1,139	*91*
3	2,773	*221*	3½	1,002	*80*	5	2,497	*199*
3½	1,272	*102*	4	4,399	*351*	5½	83	*7*
4	1,314	*105*	4½	240	*19*	6	562	*45*
4½	465	*37*	5	1,935	*154*	6½	50	*4*
5	1,210	*97*	5½	120	*10*	7	210	*17*
5½	259	*21*	6	1,170	*93*	7½	44	*3*
6	725	*58*	6½	8	...	8	37	*3*
6½	91	*7*	7	286	*23*	9	63	*5*
7	577	*46*	7½	21	*2*			
8	268	*21*	8	41	*3*			
9	95	*8*	9	16	*1*			
10	141	*11*						
	12,535	*1,000*		12,535	*1,000*		12,535	*1,000*

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CHAPTER XII.

BILLS DISCOUNTED AND TEMPORARY ADVANCES OF THE BANK OF ENGLAND.

THE manner in which the deposits held by the Bank are invested requires our attention.

The securities held by the Bank of England are divided in the usual weekly statements between the two heads of "Government" and "other" securities. It has not been thought necessary to make any analysis of the Government securities held by the Bank, as a large proportion of these securities, and, in particular, the amounts held in the circulation department, are so permanent in amount that no detailed statement appeared likely to be generally useful. The "other" securities are not included as a whole in the returns on which this analysis is based, but as a statement of their average amount would be of service in this investigation it has been supplied from the ordinary weekly accounts.

The total annual average amount of the "other" securities will be found in col. 18 of Table I.

The increase in the sums thus held is large, and in a general way proportionate to the increase in the deposits.

Mr. Thomson Hankey intimated, in his remarks on the working and management of the Bank of England, that, while the deposits of the Bank should be invested in

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good banking securities, such as bills of exchange, loans for short periods on good securities, Government stocks, &c., the capital may be invested in securities of a more permanent description. "With regard to the investment of the capital, no part of this is required to be kept in reserve: all may be invested in interest-bearing securities, which should be of undoubted character, but not necessarily of the same readily convertible nature as that part which is held liable to recall of deposits."—"Hankey on Banking," pp. 13 and 14.

The capital and accumulated and undivided profits of the Bank of England (the "rest") amount together to about 17½ millions. The bills discounted and temporary advances have been separated in the tabular statement from the remainder of the "other securities" to as late a date as the published returns permit. It will be observed that the portion of the "other securities" which does not consist of bills discounted or of temporary advances, the annual average of which is given in col. 20 of Table I., has fluctuated less in amount for the last sixteen or eighteen years than the "bills discounted" or the "temporary advances." Guided by Mr. Thomson Hankey's remarks, we may suppose the sums indicated in col. 20 to be invested in loans to corporations for local improvements, to railways on their debentures, perhaps in securities of Colonial Governments, and in other securities more or less of a permanent character. Mr. H. L. Holland, deputy-governor of the Bank, stated in 1865 that the amount of railway debentures held at that time was about 4 millions. The fluctuations in the amount of the "other" securities will be found marked in col. 19 of Table I.

We now proceed to consider the amount of bills discounted by the Bank of England. The yearly average of these is given in col. 22 of Table I. Col. 23 contains the proportion of the yearly average to that of 1844. The fluctuations in the amount of bills discounted is very considerable. The amount for 1868 was only about one-half that of 1866, and, curiously enough, was very nearly similar to the average of 1845. There are

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larger fluctuations also shown in the weekly statements than those between these annual averages.

In 1866 the highest amount was about		16	millions, the lowest about	7	millions.
„ 1867	„	8	„	4½	„
„ 1868	„	7	„	4	„
„ 1869	„	7	„	4	„
„ 1870	„	10	„	5	„
„ 1871	„	11	„	4	„
„ 1872	„	9	„	4	„
„ 1873	„	12	„	4	„
„ 1874	„	6	„	3	„
„ 1875	„	6	„	2	„

There was a considerable increase in this branch of the business of the Bank between 1844 and 1875; but it will be observed that the average of the three years, 1845-47, rather exceeded the average of the three years 1873-75, and the whole amount, though large, can form but a very small part of the total amount of bills, both inland and foreign, in circulation. The probable amount of these bills in circulation, including foreign bills, was estimated by myself as being probably from 300 to 350 millions in 1873. The total now in circulation (in 1879) does not probably exceed, if it even reaches, the smaller of these figures. Mr. Newmarch's estimate in 1851 was that the corresponding amounts then were from 180 to 200 millions. The influence of the Bank of England in the discount market is considerable; but its influence in this direction would not appear to be so large as in some other portions of its business, since its discounts have not increased in the same proportion as the bills themselves, nor had the discounts of the Bank continued to increase during the later years in which the published returns enabled us to trace the business of the Bank in this particular. A large portion of the deposits, it must be remembered, have been invested in more permanent securities. The proportion of bills discounted to "other" securities is given in col. 24, and it will be observed that the proportion of the resources of the Bank placed in bills has rather diminished in recent years. The table shows that it is in times of difficulty and pressure that the discounters of bills have recourse to the Bank. In 1857 and 1866 the amounts are large. In ordinary times there are beyond doubt private houses,

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as well as public companies, who do a larger business of this description than the Bank of England. In ordinary seasons the outside market is willing to accommodate its customers on slightly lower terms; and, in discounting bills, those who do the business at the lowest figure are sure to have the preference.

The immediate wants of business are, perhaps, to be found most distinctly indicated among the temporary advances made by the Bank of England. No branch of business of the Bank appears to undergo greater fluctuations than this one, and in none are the influences of periods of pressure more distinctly marked. The amount for 1872 was exactly three times as much as that in 1844. The business done in 1852 was little more than a sixth part of that done twenty years later. The steady growth of this branch of the business is very remarkable during the last ten years of which the particulars can be given. The annual averages will be found in col. 25, of Table I., and the proportion of each year to the amount in 1844 is given in col. 26. The fluctuations from week to week are far greater than those between the yearly averages.

In 1866 the highest amount was about		8	millions, the lowest about	1	million.
„ 1867	„	4	„	1	„
„ 1868	„	4	„	1	„
„ 1869	„	5	„	1	„
„ 1870	„	9	„	2	„
„ 1871	„	6	„	1	„
„ 1872	„	10	„	2	„
„ 1873	„	7	„	1	„
„ 1874	„	8	„	2	„
„ 1875	„	9	„	2	„

The extension of the scale on which business is now done is curiously marked by the increase in these fluctuations during recent years. The requirements of occasional borrowers were actually greater, and the yearly averages higher, in the years 1870 and 1872, than even in the panic year of 1866.

It is much to be regretted that the information as to the amounts of bills discounted, and of the temporary advances, which used to be given in the returns up to the close of 1875 is now no longer supplied.

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Recently, in September, 1878, the Bank put in force a rule requiring a margin of 5 per cent. on the securities guaranteed by the Indian Government pledged with it. This rule is, however, one of long standing with the Bank. It is always enforced with regard to advances on Consols, and if it had not been invariably required hitherto in the case of securities of the Indian Government, this probably was because these securities have generally been at a premium. Thus a margin was provided. But when the securities stood at par, or a small discount, a margin is needed to cover the advances fully. The rate at which these advances have been made has been sometimes high—two per cent. above the rates charged for discounting bills. But what the Bank probably has said to those requiring these advances has been something like this: "We do not think your demand is one of a mercantile character; it is more like a Stock Exchange demand for short advances than a demand for legitimate trade purposes. If you bring us first-rate bills, we will discount them at our rate for bills, but we cannot place this demand of yours on the same footing."

After all, the Bank of England is, with respect to its private business, exactly in the same position as any other bank. It has only a certain definite sum which it can lend, and this it must husband, and not make advances which do not certainly return of themselves into money—as those made on good bills do—on the same terms as advances of the class we have been speaking of. The resources of the Bank are, doubtless, very large; but if it makes over-large advances on securities of a fixed character, it will experience the inconvenience of doing this just as any other bank would do. It cannot be said that the Bank is following a course otherwise than for the public interest in taking the line which is mentioned above. Whether the Bank may have given too great facilities for advances of this description in times past is another question; but in requiring a margin on the security for advances it is within the strict line of banking.

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CHAPTER XIII.

NOTE CIRCULATION OF THE BANK OF ENGLAND AND THE BULLION HELD BY THE BANK.

THE amount of notes issued by the Bank now comes under consideration.

Annual averages of the note circulation will be found in cols. 27, 29, and 31 of Table I., which give the country circulation, the metropolitan circulation, and the amount of both these united. The extension of this portion of the business of the Bank was very small down to the year 1864. The increase up to that date was only about 4 per cent., which had advanced to 26 per cent. in 1872. The note circulation is issued partly in London, partly at the provincial branches of the Bank. The circulation has been divided under these two heads down to the close of 1875. The returns accessible do not continue this division to a later date. Up to 1875 the increase in the circulation, as will be seen by col. 27, was rather in the country than in the London circulation, which will be found in col. 29. The provincial circulation formed in 1873 and 1874 about 39 per cent. of the total circulation of the Bank, while in 1844 it formed only 32 per cent. of it. As the whole note circulation of England and Wales, including the notes issued by the private and joint stock banks, was £28,420,000 in 1844, £32,500,000 in 1877, and £32,400,000 in 1878, so the Bank of England notes issued at the country branches have clearly taken the place of lapsed local note issues, and this accounts for their greater increase than that of the metropolitan circulation. The total increase is, however, small; smaller than the augmentation in any other portion of the business of the Bank of England, which these returns enable us to trace, and far smaller than the increase in the

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metallic circulation of the country, which was estimated as being about 105 millions in 1872.* Mr. Newmarch estimated the gold circulation as 36 millions in 1844†. While, therefore, there has been an increase in the amount of coin in circulation of something like 70 millions, the total note circulation of England and Wales was in 1878 only 4 millions larger than it was in 1844. It is also quite possible that this increase, small as it is, may prove to be only temporary, as fluctuations of from 1½ million to 2 millions are not uncommon between the average of one year and another in the note circulation, and the note circulation of the Bank of England was smaller during the earlier months of the year 1878 than during the corresponding months of 1877.

The following table shows the amounts and the proportions of the different denominations of notes composing the circulation of the Bank of England for the years 1856—1876, the earliest and the latest dates available. The large notes, it will be seen, form now a smaller part of the whole circulation than they did twenty years since. The notes from £20 to £100 have remained comparatively stationary; the greater part of the increase is among the smaller notes, especially among those for £5. These, doubtless, as mentioned previously, in a great degree take the place of the lapsed English country issues.

To complete this analysis, the annual average of bullion held by the Bank has been included. This average will be found in col. 33 Table I.; the columns marked 34, 35, 36, and 37, show the proportions which the bullion has borne to the liabilities on deposits and Bank post bills, to the note circulation, to the total liabilities under these two heads combined, and to the amount held in 1844. On the whole, the proportion of the bullion to the liabilities has been larger recently than during the earlier years over which this inquiry extends.

The Bank of England has sometimes held a consider-

* Estimate based on Professor Jevons's statement, *Statistical Society's Journal*, 1868, p. 446, and account of "Coinage of Gold for Twenty-Four Years," *Economist*, 29th June, 1872.

† Tooke and Newmarch's "History of Prices," vol. vi., p. 701.

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able amount of silver bullion. The Bank is empowered by the 3rd clause of the Act of 1844 to retain in the Issue Department an amount of silver bullion not exceeding one-fourth part of the gold coin and bullion held. The Bank has never held quite so large a proportion as this. The largest amount which it has held was £2,727,000 on October 3, 1846, when the gold bullion was quoted at £12,632,000. For the years from 1844 to 1847 the silver bullion formed, however, a considerable fraction of the total amount of bullion held, and the annual averages from 1844 to 1853 are given below. On August 20, 1853, the silver bullion ceased to be quoted in the returns of the Bank of England, though the heading and the space for the entry appear weekly in the return. Recently, the question, whether it might not be desirable that the Bank of England should hold silver bullion again, has been discussed in connection with the low quotation for the Indian exchanges. Should such an operation be undertaken by the Bank, it would probably now be under a guarantee from the Government, on whose behalf the business would be carried out. When the Bank Act was passed in 1844, "silver" was far more distinctly "money" throughout Europe than it is at the present time.

TABLE XIV.—ANNUAL AVERAGES OF SILVER BULLION HELD BY THE BANK OF ENGLAND DURING THE YEARS 1844—1853, AND PROPORTION OF THE SAME TO THE GOLD BULLION AND COIN HELD.

Year.	Annual Average of Silver Bullion.	Proportion per Cent. of Silver Bullion to Total Bullion Held.	Annual Average of Bullion, including Gold and Silver Coin in Banking Department.	Proportion per Cent. of Gold and Coin to Total Bullion Held.	Annual Average of Total Bullion and Coin.
	£	%	£	%	£
1844	1,640,000	*11*	13,024,000	*89*	14,664,000
1845	1,511,000	*10*	13,732,000	*90*	15,243,000
1846	2,169,000	*15*	12,616,000	*85*	14,785,000
1847	1,373,000	*13*	9,055,000	*87*	10,428,000
1848	1,125,000	*8*	12,747,000	*92*	13,872,000
1849	336,000	*2*	14,825,000	*98*	15,161,000
1850	195,000	*1*	16,441,000	*99*	16,636,000
1851	34,000	—	14,530,000	*100*	14,564,000
1852	28,000	—	20,559,000	*100*	20,587,000
1853	19,000	—	17,497,000	*100*	17,516,000

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A considerable increase, larger on the whole than in the reserve, but smaller than that in the deposits, will be observed to have taken place in the bullion held. It has been mentioned that there appears to be no relation whatever between the amount of notes issued and the rate of interest charged. Nor is it easy to trace an exact relation between the amount of bullion held and the Bank rate. The average held in 1868 was more than 20 millions, with discount rate of 2 per cent.; the holding in 1873 was about 22 millions, with rate of 4¾ per cent.; the average held in 1876 was 28 millions, with a rate of about 2½ per cent.; and the differences shown by the weekly returns are greater still. Thus 7 per cent. was charged on 9th November, 1872, with £19,750,000 bullion held on the date of the nearest return, while 3 per cent. was charged on 4th November, 1869, with £18,500,000, more than a million less, held in a similar way. Again, 3 per cent. was charged 10th February, 1875, with 20 millions of bullion, and 5 per cent. was charged 17th October, 1877, with nearly 23 millions of bullion. Though the total amount of bullion held by the Bank is a very important thing, the rate of discount charged does not appear to be regulated by it.

To render this more clear, the percentage borne by the annual average of bullion with the Bank of England to the annual average of the banking liabilities has been stated in col. 34 of Table I. The fluctuations shown are considerable; the average, however, has hardly a tendency to increase, except in the years 1875-1876. In 1852 the average of bullion was 2½ per cent. more than the average of the banking liabilities. In 1847, 1856, 1864, and 1866, the average bullion was 65 per cent. of the banking liabilities. In 1857 it was only 56 per cent. of these. But though, generally speaking, the years when the average of bullion is low are those when the rate of interest is high, yet it is not possible to trace the same connection between the bullion and the rate of interest as between the banking reserve and the rate of interest.

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TABLE XV.—Table Showing Composition of Bank of England Note Circulation. Divided According to the Denomination of the Notes in Hands of the Public from 1856 to 1876.

	£5 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £5 Notes to Total Circulation.	£10 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £10 Notes to Total Circulation.	£20 to £100 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £20 to £100 Notes to Total Circulation.
			%			%			%
1856	6,362,000	*100*	33	3,928,000	*100*	21	5,474,000	*100*	29
1857	6,386,000	*100*	34	3,959,000	*101*	21	5,530,000	*101*	29
1858	6,299,000	*99*	32	3,896,000	*99*	20	5,652,000	*103*	29
1859	6,678,000	*105*	32	4,145,000	*105*	20	6,121,000	*112*	29
1860	7,079,000	*111*	33	4,280,000	*109*	20	6,331,000	*116*	30
1861	6,673,000	*105*	33	4,045,000	*103*	20	5,947,000	*108*	30
1862	6,799,000	*107*	33	4,080,000	*104*	19	6,172,000	*113*	30
1863	6,755,000	*106*	33	3,949,000	*100*	19	6,142,000	*112*	30
1864	7,099,000	*112*	35	3,966,900	*101*	19	5,996,000	*109*	29
1865	7,403,000	*116*	35	4,085,000	*104*	19	6,153,000	*112*	29
1866	8,153,000	*128*	35	4,462,000	*113*	19	6,957,000	*127*	30
1867	8,290,000	*130*	35	4,492,000	*114*	19	7,020,000	*128*	30
1868	8,429,000	*132*	35	4,562,000	*116*	19	7,234,000	*132*	30
1869	8,572,000	*135*	37	4,514,000	*115*	19	6,940,000	*127*	30
1870	8,695,000	*137*	38	4,436,000	*113*	19	6,804,000	*124*	29
1871	9,182,000	*145*	37	4,592,000	*117*	19	7,272,000	*133*	30
1872	9,704,000	*153*	38	4,712,000	*120*	19	7,373,000	*134*	29
1873	10,045,000	*158*	39	4,716,000	*120*	18	7,313,000	*133*	29
1874	10,474,000	*164*	40	4,790.000	*122*	18	7,435,000	*136*	28
1875	10,877,000	*171*	40	4,934,000	*126*	18	7,740,000	*141*	28
1876	10,920,000	*172*	40	5,003,000	*127*	18	7,987,000	*145*	29

	£200 to £500 Notes.	Proportion per Cent. to 1856. 1856 = 100.	Proportion per Cent. of £200 to £500 Notes to Total Circulation.	£1,000 Notes.	Proportion per Cent. to 1856. 1856 = 100.	Proportion per Cent. of £1,000 Notes to Total Circulation.	Total Circulation.	Proportion per Cent. of Total Circulation to 1856. 1856 = 100.
			%			%		
1856	1,375,000	*100*	7	1,865,000	*100*	10	19,004,000	*100*
1857	1,365,000	*99*	7	1,796,000	*96*	9	19,036,000	*100*
1858	1,590,000	*116*	8	2,313,000	*124*	11	19,765,000	*104*
1859	1,610,000	*117*	8	2,256,000	*121*	11	20,810,000	*109*
1860	1,551,000	*113*	7	2,029,000	*109*	10	21,270,000	*112*
1861	1,444,000	*105*	7	1,911,000	*102*	10	20,020,000	*105*
1862	1,697,000	*123*	8	2,098,000	*112*	10	20,846,000	*109*
1863	1,740,000	*127*	8	2,089,000	*112*	10	20,675,000	*108*
1864	1,676,000	*122*	8	1,849,000	*99*	9	20,586,000	*108*
1865	1,694,000	*123*	8	1,761,000	*94*	9	21,096,000	*111*
1866	1,831,000	*133*	8	1,795,000	*96*	8	23,198,000	*122*
1867	1,827,000	*133*	8	1,834,000	*98*	8	23,463,000	*123*
1868	1,867,000	*136*	8	1,825,000	*98*	8	23,917,000	*126*
1869	1,761,000	*128*	7	1,667,000	*89*	7	23,454,000	*123*
1870	1,701,000	*124*	7	1,676,000	*90*	7	23,312,000	*123*
1871	1,774,000	*129*	7	1,783,000	*96*	7	24,603,000	*130*
1872	1,851,000	*135*	7	1,885,000	*101*	7	25,525,000	*134*
1873	1,784,000	*130*	7	1,810,000	*97*	7	25,668,000	*135*
1874	1,810,000	*132*	7	1,775,000	*95*	7	26,284,000	*138*
1875	1,947,000	*141*	7	1,849,000	*99*	7	27,347,000	*144*
1876	1,984,000	*144*	7	1,839,000	*98*	6	27,733,000	*146*

Note.—For years 1856 to 1859, inclusive, these averages represent the first 15 weeks of each year; from 1860 to 1876, inclusive, the averages are of the whole circulation of the year.

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CHAPTER XIV.

THE PROPORTION WHICH THE RESERVE HELD BY THE BANK OF ENGLAND BORE TO THE DEPOSITS AND TO THE BANKERS' BALANCES ON THE NEAREST RETURN TO THE DATE OF EACH CHANGE IN THE BANK RATE OF DISCOUNT FOR THE YEARS 1844—78, INCLUSIVE.

In calculating the proportion of the reserve to the deposits, the gold and silver coin held in the Banking Department, as well as the reserve of notes, have been included in the reserve. The liabilities in the shape of Bank post bills are added to the deposits in the calculation mentioned. This is because the amount of the reserve of notes alone is given in the returns, and the short bills are not included in them. In forming an estimate of the liabilities of the Bank of England both these items should be taken into account, and they have therefore been included in order to insure accuracy in the statement. The influence, however, of these sums is but small. The annual averages showing the extent of the circulation of short bills are in Table I., col. 3.

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This statement is given in two forms. In the first, the proportions are arranged according to the dates the nearest to those on which the changes occurred. In the second, the return for each date over which a particular rate extends are arranged in the order of the highest proportion of reserve to deposits first, the other returns following to the minimum of each rate.

It will be observed that the proportion of the reserve to the liabilities was as follows during the sharpest pressure of the last three crises :—

23rd October, 1847.—Reserve 14 per cent. of the liabilities. The London bankers' balances formed 81 per cent. of the reserve. Bank rate 8 per cent.

11th November, 1857.—Reserve 8 per cent. of the liabilities, but only sufficient to meet 31 per cent. of the bankers' balances. Bank rate 10 per cent.

16th May, 1866.—Reserve 5 per cent. of the liabilities, but only sufficient to meet 15 per cent. of the bankers' balances. Bank rate 10 per cent.

The increased severity of each crisis will be found marked in the smaller proportion of the reserve on each of the later occasions, both to the liabilities and the bankers' balances. The principle of the Act of 1844 was not actually infringed at any of these three dates.

It appears desirable, while investigating this point, to give an arrangement of these proportions in order of dates, as well as according to each rate, because the one arrangement is of very material assistance in understanding the other. Thus, in looking at the proportion of reserve to deposits during the prevalence of the rate of 4 per cent., we find that rate charged on 2nd August, 1865, with no greater reserve than 31 per cent. of the deposits; a proportion at which, from the information supplied by other portions of this table, it might have been more naturally expected that 7, 8, or even 9 per cent. would have been charged. On looking to the chronological table, the explanation of this becomes clear. 2nd August, 1865, marks nearly the com-

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mencement of that rise in the rate of discount which culminated in the crisis of 1866. Barely six weeks before, there had been a reserve of 45 per cent., with a rate of 3 per cent., and during the whole of the twelve months preceding and following the Bank rate had been subject to very extraordinary fluctuations. It is perfectly true that the Bank rate has in many cases fluctuated considerably, while the average of the proportions of the reserve has remained almost the same. Thus, by looking down the general averages of the proportion of the reserve to deposits, on the nearest dates corresponding with each change, it will be seen that three different rates, 6, 5½, and 5 per cent., have all been charged, with an average proportion of reserve of about 36 per cent.; and, what might have been as little expected, the fluctuations of the reserve have been greater while 5 per cent. has been charged (from 50 to 20 per cent.) than while 6 per cent. has been charged (in this case from 48 to 24 per cent.). Still, though individual cases may be found which differ from the average, yet in general a low Bank reserve will necessarily be found accompanied by a high rate of interest.

In order to give a more distinct idea of the magnitude of the sums concerned, and of their proportions to the general business of the country, the amounts of the reserve of the Bank of England, of the London bankers' balances, and of the weekly returns of the Clearing House at the nearest date to each alteration of the Bank of England rate during the year 1877 are added in Table XVI., and of the reserve and the weekly returns of the Clearing House at each corresponding date in 1878. We see from these figures how great at any moment may be the demands on the reserve of the Bank of England.

Tables XVII. and XVIII. follow, showing the proportion of the reserve of the Bank of England to the liabilities, and of the balances of the London bankers to the reserve at the nearest date given to every change in the rate of interest from 5th September, 1844, to 31st December, 1878.

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TABLE XVI.—STATEMENT OF THE ALTERATIONS IN THE BANK OF ENGLAND RATE OF DISCOUNT FOR 1877-78, WITH THE RESERVE OF THE BANK OF ENGLAND, THE LONDON BANKERS' BALANCES, AND THE CLEARING HOUSE RETURNS, AT THE NEAREST DATE TO EACH CHANGE. (London Bankers' Balances not given for 1878.)

1877.

Date.	Rate.	Reserve of Bank of England.	London Bankers' Balances.	Clearing House Returns.
	%	£	£	£
3rd May	3	*10,926,636*	8,926,000	18,389,000
5th July	2½	*13,174,000*	10,890,000	11,888,000
12th ,, ...	2	*13,911,797*	12,139,000	14,588,000
28th August	3	*12,128,674*	9,870,000	12,665,000
4th October.....	4	*9,721,173*	8,820,000	15,024,000
11th ,, ...	5	*9,431,126*	8,876,000	13,364,000
29th November...	4	*11,547,182*	9,555,000	26,186,000

1878.

Date.	Rate.	Reserve of Bank of England.	London Bankers' Balances.	Clearing House Returns.
	%	£	£	£
9th January ...	3	*11,902,216*		15,311,000
30th ,, ...	2	*12,981,690*		14,263,000
27th March	3	*11,916,320*	Not Published	12,887,000
29th May	2½	*11,338,102*		14,135,000
26th June	3	*10,858,129*	for these dates.	13,916,000
3rd July	3½	*9,081,692*		18,706,000
31st ,, ...	4	*8,903,407*		39,708,000
12th August	5	*8,912,764*		12,554,000
14th October.....	6	*8,517,315*		13,542,000
20th November...	5	*12,310,802*		12,772,000

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TABLE XVII.—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND TO LIABILITIES, AND OF THE BALANCES OF LONDON BANKERS TO THE RESERVE ON THE NEAREST DATE GIVEN TO EVERY CHANGE IN THE RATE OF INTEREST, FROM 5TH SEPTEMBER, 1844, TO 31ST DECEMBER, 1878. Arranged According to the Dates when Changes Occurred.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
2½*	1844 5th September...	*68*	11	—
3	1845 16th October.....	*38*	42	—
3½	„ 6th November...	*38*	22	—
3	1846 27th August	*58*	19	—
3½	1847 14th January ...	*44*	19	—
4	„ 21st „	*43*	23	—
5	„ 8th April	*20*	74	—
5½	„ 5th August	*36*	26	—
6	„ 30th September...	*26*	23	—
8	„ 25th October	*13*	84	—
7	„ 22nd November...	*30*	36	—
6	„ 2nd December ...	*36*	27	—
5	„ 23rd „ ...	*46*	17	—
4	1848 27th January ...	*52*	44	—
3½	„ 15th June	*63*	16	—
3	„ 2nd November...	*61*	33	—
2½	1849 22nd November...	*66*	13	—
3	1850 26th December...	*48*	11	—
2½	1852 1st January ...	*61*	12	—
2	„ 22nd April	*64*	40	—
2½	1853 6th January ...	*48*	35	—
3	„ 20th „ ...	*49*	24	—
3½	„ 2nd June	*47*	27	—
4	„ 1st September...	*47*	21	—
4½	„ 15th „ ...	*40*	27	—
5	„ 29th „ ...	*34*	37	—
5½	1854 11th May	*37*	43	—
5	„ 3rd August	*49*	33	—
4½	1855 5th April	*50*	35	—
4	„ 3rd May	*52*	37	—
3½	„ 14th June	*63*	30	—
4	„ 6th September...	*41*	38	—
4½	„ 13th „ ...	*40*	30	—
5	„ 27th „ ...	*33*	43	—
5½	„ 4th October	*32*	45	—
7	„ 18th „	*29*	52	—

* This is the first statement in the Returns, and marks the point at which the Act of 1844 came into operation.

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CHAPTER XIII.

NOTE CIRCULATION OF THE BANK OF ENGLAND AND THE BULLION HELD BY THE BANK.

THE amount of notes issued by the Bank now comes under consideration.

Annual averages of the note circulation will be found in cols. 27, 29, and 31 of Table I., which give the country circulation, the metropolitan circulation, and the amount of both these united. The extension of this portion of the business of the Bank was very small down to the year 1864. The increase up to that date was only about 4 per cent., which had advanced to 26 per cent. in 1872. The note circulation is issued partly in London, partly at the provincial branches of the Bank. The circulation has been divided under these two heads down to the close of 1875. The returns accessible do not continue this division to a later date. Up to 1875 the increase in the circulation, as will be seen by col. 27, was rather in the country than in the London circulation, which will be found in col. 29. The provincial circulation formed in 1873 and 1874 about 39 per cent. of the total circulation of the Bank, while in 1844 it formed only 32 per cent. of it. As the whole note circulation of England and Wales, including the notes issued by the private and joint stock banks, was £28,420,000 in 1844, £32,500,000 in 1877, and £32,400,000 in 1878, so the Bank of England notes issued at the country branches have clearly taken the place of lapsed local note issues, and this accounts for their greater increase than that of the metropolitan circulation. The total increase is, however, small; smaller than the augmentation in any other portion of the business of the Bank of England, which these returns enable us to trace, and far smaller than the increase in the

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metallic circulation of the country, which was estimated as being about 105 millions in 1872.* Mr. Newmarch estimated the gold circulation as 36 millions in 1844†. While, therefore, there has been an increase in the amount of coin in circulation of something like 70 millions, the total note circulation of England and Wales was in 1878 only 4 millions larger than it was in 1844. It is also quite possible that this increase, small as it is, may prove to be only temporary, as fluctuations of from 1½ million to 2 millions are not uncommon between the average of one year and another in the note circulation, and the note circulation of the Bank of England was smaller during the earlier months of the year 1878 than during the corresponding months of 1877.

The following table shows the amounts and the proportions of the different denominations of notes composing the circulation of the Bank of England for the years 1856—1876, the earliest and the latest dates available. The large notes, it will be seen, form now a smaller part of the whole circulation than they did twenty years since. The notes from £20 to £100 have remained comparatively stationary; the greater part of the increase is among the smaller notes, especially among those for £5. These, doubtless, as mentioned previously, in a great degree take the place of the lapsed English country issues.

To complete this analysis, the annual average of bullion held by the Bank has been included. This average will be found in col. 33 Table I.; the columns marked 34, 35, 36, and 37, show the proportions which the bullion has borne to the liabilities on deposits and Bank post bills, to the note circulation, to the total liabilities under these two heads combined, and to the amount held in 1844. On the whole, the proportion of the bullion to the liabilities has been larger recently than during the earlier years over which this inquiry extends.

The Bank of England has sometimes held a consider-

* Estimate based on Professor Jevons's statement, *Statistical Society's Journal*, 1868, p. 446, and account of "Coinage of Gold for Twenty-Four Years," *Economist*, 29th June, 1872.

† Tooke and Newmarch's "History of Prices," vol. vi., p. 701.

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able amount of silver bullion. The Bank is empowered by the 3rd clause of the Act of 1844 to retain in the Issue Department an amount of silver bullion not exceeding one-fourth part of the gold coin and bullion held. The Bank has never held quite so large a proportion as this. The largest amount which it has held was £2,727,000 on October 3, 1846, when the gold bullion was quoted at £12,632,000. For the years from 1844 to 1847 the silver bullion formed, however, a considerable fraction of the total amount of bullion held, and the annual averages from 1844 to 1853 are given below. On August 20, 1853, the silver bullion ceased to be quoted in the returns of the Bank of England, though the heading and the space for the entry appear weekly in the return. Recently, the question, whether it might not be desirable that the Bank of England should hold silver bullion again, has been discussed in connection with the low quotation for the Indian exchanges. Should such an operation be undertaken by the Bank, it would probably now be under a guarantee from the Government, on whose behalf the business would be carried out. When the Bank Act was passed in 1844, "silver" was far more distinctly "money" throughout Europe than it is at the present time.

TABLE XIV.—Annual Averages of Silver Bullion Held by the Bank of England during the Years 1844—1853, and Proportion of the Same to the Gold Bullion and Coin Held.

Year.	Annual Average of Silver Bullion.	Proportion per Cent. of Silver Bullion to Total Bullion Held.	Annual Average of Bullion, including Gold and Silver Coin in Banking Department.	Proportion per Cent. of Gold and Coin to Total Bullion Held.	Annual Average of Total Bullion and Coin.
	£	%	£	%	£
1844	1,640,000	*11*	13,024,000	*89*	14,664,000
1845	1,511,000	*10*	13,732,000	*90*	15,243,000
1846	2,169,000	*15*	12,616,000	*85*	14,785,000
1847	1,373,000	*13*	9,055,000	*87*	10,428,000
1848	1,125,000	*8*	12,747,000	*92*	13,872,000
1849	336,000	*2*	14,825,000	*98*	15,161,000
1850	195,000	*1*	16,441,000	*99*	16,636,000
1851	34,000	—	14,530,000	*100*	14,564,000
1852	28,000	—	20,559,000	*100*	20,587,000
1853	19,000	—	17,497,000	*100*	17,516,000

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A considerable increase, larger on the whole than in the reserve, but smaller than that in the deposits, will be observed to have taken place in the bullion held. It has been mentioned that there appears to be no relation whatever between the amount of notes issued and the rate of interest charged. Nor is it easy to trace an exact relation between the amount of bullion held and the Bank rate. The average held in 1868 was more than 20 millions, with discount rate of 2 per cent.; the holding in 1873 was about 22 millions, with rate of 4¾ per cent.; the average held in 1876 was 28 millions, with a rate of about 2½ per cent.; and the differences shown by the weekly returns are greater still. Thus 7 per cent. was charged on 9th November, 1872, with £19,750,000 bullion held on the date of the nearest return, while 3 per cent. was charged on 4th November, 1869, with £18,500,000, more than a million less, held in a similar way. Again, 3 per cent. was charged 10th February, 1875, with 20 millions of bullion, and 5 per cent. was charged 17th October, 1877, with nearly 23 millions of bullion. Though the total amount of bullion held by the Bank is a very important thing, the rate of discount charged does not appear to be regulated by it.

To render this more clear, the percentage borne by the annual average of bullion with the Bank of England to the annual average of the banking liabilities has been stated in col. 34 of Table I. The fluctuations shown are considerable; the average, however, has hardly a tendency to increase, except in the years 1875-1876. In 1852 the average of bullion was 2½ per cent. more than the average of the banking liabilities. In 1847, 1856, 1864, and 1866, the average bullion was 65 per cent. of the banking liabilities. In 1857 it was only 56 per cent. of these. But though, generally speaking, the years when the average of bullion is low are those when the rate of interest is high, yet it is not possible to trace the same connection between the bullion and the rate of interest as between the banking reserve and the rate of interest.

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TABLE XV.—Table Showing Composition of Bank of England Note Circulation. Divided According to the Denomination of the Notes in Hands of the Public from 1856 to 1876.

	£5 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £5 Notes to Total Circulation.	£10 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £10 Notes to Total Circulation.	£20 to £100 Notes.	Proportion per Cent. to 1856. 1856=100	Proportion per Cent. of £20 to £100 Notes to Total Circulation.
			%			%			%
1856	6,362,000	*100*	33	3,928,000	*100*	21	5,474,000	*100*	29
1857	6,386,000	*100*	34	3,959,000	*101*	21	5,530,000	*101*	29
1858	6,299,000	*99*	32	3,896,000	*99*	20	5,652,000	*103*	29
1859	6,678,000	*105*	32	4,145,000	*105*	20	6,121,000	*112*	29
1860	7,079,000	*111*	33	4,280,000	*109*	20	6,331,000	*116*	30
1861	6,673,000	*105*	33	4,045,000	*103*	20	5,947,000	*108*	30
1862	6,799,000	*107*	33	4,080,000	*104*	19	6,172,000	*113*	30
1863	6,755,000	*106*	33	3,949,000	*100*	19	6,142,000	*112*	30
1864	7,099,000	*112*	35	3,966,900	*101*	19	5,996,000	*109*	29
1865	7,403,000	*116*	35	4,085,000	*104*	19	6,153,000	*112*	29
1866	8,153,000	*128*	35	4,462,000	*113*	19	6,957,000	*127*	30
1867	8,290,000	*130*	35	4,492,000	*114*	19	7,020,000	*128*	30
1868	8,429,000	*132*	35	4,562,000	*116*	19	7,234,000	*132*	30
1869	8,572,000	*135*	37	4,514,000	*115*	19	6,940,000	*127*	30
1870	8,695,000	*137*	38	4,436,000	*113*	19	6,804,000	*124*	29
1871	9,182,000	*145*	37	4,592,000	*117*	19	7,272,000	*133*	30
1872	9,704,000	*153*	38	4,712,000	*120*	19	7,373,000	*134*	29
1873	10,045,000	*158*	39	4,716,000	*120*	18	7,313,000	*133*	29
1874	10,474,000	*164*	40	4,790,000	*122*	18	7,435,000	*136*	28
1875	10,877,000	*171*	40	4,934,000	*126*	18	7,740,000	*141*	28
1876	10,920,000	*172*	40	5,003,000	*127*	18	7,987,000	*146*	29

	£200 to £500 Notes.	Proportion per Cent. to 1856. 1856 = 100.	Proportion per Cent. of £200 to £500 Notes to Total Circulation.	£1,000 Notes.	Proportion per Cent. to 1856. 1856 = 100.	Proportion per Cent. of £1,000 Notes to Total Circulation.	Total Circulation.	Proportion per Cent. of Total Circulation to 1856. 1856 = 100.
			%			%		
1856	1,375,000	*100*	7	1,865,000	*100*	10	19,004,000	*100*
1857	1,365,000	*99*	7	1,796,000	*96*	9	19,036,000	*100*
1858	1,590,000	*116*	8	2,313,000	*124*	11	19,765,000	*104*
1859	1,610,000	*117*	8	2,256,000	*121*	11	20,810,000	*109*
1860	1,551,000	*113*	7	2,029,000	*109*	10	21,270,000	*112*
1861	1,444,000	*105*	7	1,911,000	*102*	10	20,020,000	*105*
1862	1,697,000	*123*	8	2,098,000	*112*	10	20,846,000	*109*
1863	1,740,000	*127*	8	2,089,000	*112*	10	20,675,000	*108*
1864	1,676,000	*122*	8	1,849,000	*99*	9	20,586,000	*108*
1865	1,694,000	*123*	8	1,761,000	*94*	9	21,096,000	*111*
1866	1,831,000	*133*	8	1,795,000	*96*	8	23,198,000	*122*
1867	1,827,000	*133*	8	1,834,000	*98*	8	23,463,000	*123*
1868	1,867,000	*136*	8	1,825,000	*98*	8	23,917,000	*126*
1869	1,761,000	*128*	7	1,667,000	*89*	7	23,454,000	*123*
1870	1,701,000	*124*	7	1,676,000	*90*	7	23,312,000	*123*
1871	1,774,000	*129*	7	1,783,000	*96*	7	24,603,000	*130*
1872	1,851,000	*135*	7	1,885,000	*101*	7	25,525,000	*134*
1873	1,784,000	*130*	7	1,810,000	*97*	7	25,668,000	*135*
1874	1,810,000	*132*	7	1,775,000	*95*	7	26,284,000	*138*
1875	1,947,000	*141*	7	1,849,000	*99*	7	27,347,000	*144*
1876	1,984,000	*144*	7	1,839,000	*98*	6	27,733,000	*146*

Note.—For years 1856 to 1859, inclusive, these averages represent the first 15 weeks of each year; from 1860 to 1876, inclusive, the averages are of the whole circulation of the year.

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CHAPTER XIV.

THE PROPORTION WHICH THE RESERVE HELD BY THE BANK OF ENGLAND BORE TO THE DEPOSITS AND TO THE BANKERS' BALANCES ON THE NEAREST RETURN TO THE DATE OF EACH CHANGE IN THE BANK RATE OF DISCOUNT FOR THE YEARS 1844—78, INCLUSIVE.

In calculating the proportion of the reserve to the deposits, the gold and silver coin held in the Banking Department, as well as the reserve of notes, have been included in the reserve. The liabilities in the shape of Bank post bills are added to the deposits in the calculation mentioned. This is because the amount of the reserve of notes alone is given in the returns, and the short bills are not included in them. In forming an estimate of the liabilities of the Bank of England both these items should be taken into account, and they have therefore been included in order to insure accuracy in the statement. The influence, however, of these sums is but small. The annual averages showing the extent of the circulation of short bills are in Table I., col. 3.

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This statement is given in two forms. In the first, the proportions are arranged according to the dates the nearest to those on which the changes occurred. In the second, the return for each date over which a particular rate extends are arranged in the order of the highest proportion of reserve to deposits first, the other returns following to the minimum of each rate.

It will be observed that the proportion of the reserve to the liabilities was as follows during the sharpest pressure of the last three crises :—

23rd October, 1847.—Reserve 14 per cent. of the liabilities. The London bankers' balances formed 81 per cent. of the reserve. Bank rate 8 per cent.

11th November, 1857.—Reserve 8 per cent. of the liabilities, but only sufficient to meet 31 per cent. of the bankers' balances. Bank rate 10 per cent.

16th May, 1866.—Reserve 5 per cent. of the liabilities, but only sufficient to meet 15 per cent. of the bankers' balances. Bank rate 10 per cent.

The increased severity of each crisis will be found marked in the smaller proportion of the reserve on each of the later occasions, both to the liabilities and the bankers' balances. The principle of the Act of 1844 was not actually infringed at any of these three dates.

It appears desirable, while investigating this point, to give an arrangement of these proportions in order of dates, as well as according to each rate, because the one arrangement is of very material assistance in understanding the other. Thus, in looking at the proportion of reserve to deposits during the prevalence of the rate of 4 per cent., we find that rate charged on 2nd August, 1865, with no greater reserve than 31 per cent. of the deposits; a proportion at which, from the information supplied by other portions of this table, it might have been more naturally expected that 7, 8, or even 9 per cent. would have been charged. On looking to the chronological table, the explanation of this becomes clear. 2nd August, 1865, marks nearly the com-

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mencement of that rise in the rate of discount which culminated in the crisis of 1866. Barely six weeks before, there had been a reserve of 45 per cent., with a rate of 3 per cent., and during the whole of the twelve months preceding and following the Bank rate had been subject to very extraordinary fluctuations. It is perfectly true that the Bank rate has in many cases fluctuated considerably, while the average of the proportions of the reserve has remained almost the same. Thus, by looking down the general averages of the proportion of the reserve to deposits, on the nearest dates corresponding with each change, it will be seen that three different rates, 6, 5½, and 5 per cent., have all been charged, with an average proportion of reserve of about 36 per cent.; and, what might have been as little expected, the fluctuations of the reserve have been greater while 5 per cent. has been charged (from 50 to 20 per cent.) than while 6 per cent. has been charged (in this case from 48 to 24 per cent.). Still, though individual cases may be found which differ from the average, yet in general a low Bank reserve will necessarily be found accompanied by a high rate of interest.

In order to give a more distinct idea of the magnitude of the sums concerned, and of their proportions to the general business of the country, the amounts of the reserve of the Bank of England, of the London bankers' balances, and of the weekly returns of the Clearing House at the nearest date to each alteration of the Bank of England rate during the year 1877 are added in Table XVI., and of the reserve and the weekly returns of the Clearing House at each corresponding date in 1878. We see from these figures how great at any moment may be the demands on the reserve of the Bank of England.

Tables XVII. and XVIII. follow, showing the proportion of the reserve of the Bank of England to the liabilities, and of the balances of the London bankers to the reserve at the nearest date given to every change in the rate of interest from 5th September, 1844, to 31st December, 1878.

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TABLE XVI.—STATEMENT OF THE ALTERATIONS IN THE BANK OF ENGLAND RATE OF DISCOUNT FOR 1877-78, WITH THE RESERVE OF THE BANK OF ENGLAND, THE LONDON BANKERS' BALANCES, AND THE CLEARING HOUSE RETURNS, AT THE NEAREST DATE TO EACH CHANGE. (London Bankers' Balances not given for 1878.)

1877.

Date.	Rate.	Reserve of Bank of England.	London Bankers' Balances.	Clearing House Returns.
	%	£	£	£
3rd May	3	*10,926,636*	8,926,000	18,389,000
5th July	2½	*13,174,000*	10,890,000	11,888,000
12th ,, ...	2	*13,911,797*	12,139,000	14,588,000
28th August	3	*12,128,674*	9,870,000	12,665,000
4th October.....	4	*9,721,173*	8,820,000	15,024,000
11th ,, ...	5	*9,431,126*	8,876,000	13,364,000
29th November...	4	*11,547,182*	9,555,000	26,186,000

1878.

Date.	Rate.	Reserve of Bank of England.	London Bankers' Balances.	Clearing House Returns.
	%	£	£	£
9th January ...	3	*11,902,216*		15,311,000
30th ,, ...	2	*12,981,690*		14,263,000
27th March	3	*11,916,320*	Not Published	12,887,000
29th May	2½	*11,338,102*		14,135,000
26th June	3	*10,858,129*	for these dates.	13,916,000
3rd July	3½	*9,081,692*		18,706,000
31st ,, ...	4	*8,903,407*		39,708,000
12th August	5	*8,912,764*		12,554,000
14th October.....	6	*8,517,315*		13,542,000
20th November...	5	*12,310,802*		12,772,000

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TABLE XVII.—Proportions of the Reserve of the Bank of England to Liabilities, and of the Balances of London Bankers to the Reserve on the Nearest Date Given to Every Change in the Rate of Interest, from 5th September, 1844, to 31st December, 1878. Arranged According to the Dates when Changes Occurred.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
2½*	1844 5th September...	*68*	11	—
3	1845 16th October	*38*	42	—
3½	„ 6th November...	*38*	22	—
3	1846 27th August	*58*	19	—
3½	1847 14th January ...	*44*	19	—
4	„ 21st „	*43*	23	—
5	„ 8th April	*20*	74	—
5½	„ 5th August	*36*	26	—
6	„ 30th September...	*26*	23	—
8	„ 25th October	*13*	84	—
7	„ 22nd November...	*30*	36	—
6	„ 2nd December...	*36*	27	—
5	„ 23rd „ ...	*46*	17	—
4	1848 27th January ...	*52*	44	—
3½	„ 15th June	*63*	16	—
3	„ 2nd November...	*61*	33	—
2½	1849 22nd November...	*66*	13	—
3	1850 26th December...	*48*	11	—
2½	1852 1st January ...	*61*	12	—
2	„ 22nd April	*64*	40	—
2½	1853 6th January ...	*48*	35	—
3	„ 20th „ ...	*49*	24	—
3½	„ 2nd June	*47*	27	—
4	„ 1st September...	*47*	21	—
4½	„ 15th „ ...	*40*	27	—
5	„ 29th „ ...	*34*	37	—
5½	1854 11th May	*37*	43	—
5	„ 3rd August	*49*	33	—
4½	1855 5th April	*50*	35	—
4	„ 3rd May	*52*	37	—
3½	„ 14th June	*63*	30	—
4	„ 6th September...	*41*	38	—
4½	„ 13th „ ...	*40*	30	—
5	„ 27th „ ...	*33*	43	—
5½	„ 4th October	*32*	45	—
7	„ 18th „	*29*	52	—

* This is the first statement in the Returns, and marks the point at which the Act of 1844 came into operation.

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TABLE XVII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Dates.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
6	1856 22nd May	*36*	75	—
5	„ 29th „	*41*	51	—
4½	„ 26th June	*49*	34	—
5	„ 2nd October	*23*	67	—
7	„ 9th „	*21*	67	—
6½	„ 4th December ...	*35*	47	—
6	„ 18th „ ...	*37*	39	—
6½	1857 2nd April	*22*	60	—
6	„ 18th June	*38*	38	—
5½	„ 16th July	*42*	55	—
6	„ 8th October	*24*	56	—
7	„ 15th „	*23*	89	—
8	„ 19th „	*24*	90	—
9	„ 5th November ...	*15*	—	80
10	„ 9th „ ...	*7*	—	30
8	„ 24th December ...	*34*	78	—
6	1858 7th June	*33*	84	—
5	„ 14th „	*35*	—	80
4	„ 28th „	*46*	86	—
3½	„ 4th February ...	*47*	76	—
3	„ 11th „ ...	*53*	63	—
2½	„ 9th December ...	*60*	26	—
3½	1859 28th April	*47*	46	—
4½	„ 5th May	*42*	55	—
3½	„ 2nd June	*46*	59	—
3	„ 9th „	*47*	52	—
2½	„ 14th July	*48*	57	—
3	1860 19th January.....	*40*	54	—
4	„ 31st „	*37*	45	—
4½	„ 29th March	*35*	35	—
5	„ 12th April	*26*	75	—
4½	„ 10th May	*38*	49	—
4	„ 24th „	*43*	47	—
4½	„ 8th November ...	*80*	66	—
5	„ 13th „ ...	*37*	55	—
6	„ 15th „ ...	*37*	55	—
5	„ 29th „ ...	*41*	59	—
6	„ 31st December ...	*31*	59	—
7	1861 7th January.....	*31*	98	—
8	„ 14th February ...	*36*	55	—
7	„ 21st March	*41*	44	—
6	„ 4th April	*38*	51	—
5	„ 11th „	*40*	69	—
6	„ 16th May	*36*	53	—
5	„ 1st August	*39*	61	—
4½	„ 15th „	*42*	58	—

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TABLE XVII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Dates.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
4	1861 29th August	*46*	60	—
3½	„ 19th September ...	*48*	52	—
3	„ 7th November ...	*43*	62	—
2½	1862 9th January	*44*	71	—
3	„ 22nd May	*47*	48	—
2½	„ 10th July	*42*	69	—
2	„ 24th „	*45*	68	—
3	„ 30th October	*39*	65	—
4	1863 15th January	*39*	69	—
5	„ 28th „	*40*	52	—
4	„ 19th February ...	*46*	45	—
3½	„ 23rd April	*43*	62	—
3	„ 30th „	*43*	46	—
3½	„ 16th May.....	*41*	49	—
4	„ 21st „	*38*	53	—
5	„ 2nd November ...	*36*	76	—
6	„ 5th „ ...	*31*	72	—
7	„ 2nd December ...	*32*	68	—
8	„ 3rd „ ...	*32*	68	—
7	„ 24th „ ...	*39*	49	—
8	1864 20th January	*33*	61	—
7	„ 11th February ...	*38*	47	—
6	„ 25th „ ...	*43*	47	—
7	„ 16th April	*32*	75	—
8	„ 2nd May.....	*28*	66	—
9	„ 5th „	*28*	66	—
8	„ 19th „	*33*	71	—
7	„ 26th „	*37*	64	—
6	„ 16th June	*40*	54	—
7	„ 25th July	*31*	77	—
8	„ 4th August	*29*	85	—
9	„ 8th September...	*35*	69	—
8	„ 10th November ...	*40*	85	—
7	„ 24th „ ...	*45*	70	—
6	„ 15th December ...	*48*	50	—
5½	1865 12th January	*39*	83	—
5	„ 26th „	*44*	62	—
4½	„ 3rd March	*44*	53	—
4	„ 30th „	*42*	47	—
4½	„ 4th May	*36*	65	—
4	„ 25th „	*41*	54	—
3½	„ 1st June	*41*	56	—
3	„ 15th „	*44*	46	—
3½	„ 27th July	*33*	81	—
4	„ 3rd August	*26*	78	—
4½	„ 28th September...	*33*	68	—
5	„ 2nd October	*24*	82	—

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TABLE XVII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND &c. Arranged According to Dates.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
6	1865 5th October	*24*	82	—
7	„ 7th „	*24*	86	—
6	„ 23rd November ...	*43*	57	—
7	„ 28th December ...	*34*	65	—
8	1866 4th January.....	*26*	—	97
7	„ 22nd February ...	*45*	57	—
6	„ 15th March	*45*	51	—
7	„ 3rd May	*30*	89	—
8	„ 8th „	*29*	86	—
9	„ 11th „	*29*	86	—
10	„ 12th „	*29*	86	—
8	„ 16th August	*21*	—	69
7	„ 23rd „	*24*	—	68
6	„ 30th „	*30*	—	87
5	„ 6th September ...	*30*	—	96
4½	„ 27th „ ...	*36*	77	—
4	„ 8th November ...	*38*	75	—
3½	„ 20th December ...	*44*	50	—
3	1867 7th February ...	*45*	63	—
2½	„ 30th May	*47*	49	—
2	„ 25th July	*53*	64	—
2½	1868 19th November ...	*40*	61	—
3	„ 3rd December ...	*39*	64	—
4	1869 1st April	*34*	69	—
4½	„ 6th May	*35*	68	—
4	„ 10th June	*44*	65	—
3½	„ 24th „	*48*	53	—
3	„ 15th July	*44*	69	—
2½	„ 19th August	*55*	55	—
3	„ 4th November ...	*44*	57	—
3½	1870 21st July	*43*	66	—
4	„ 23rd „	*43*	66	—
5	„ 28th „	*36*	80	—
6	„ 4th August	*34*	85	—
5½	„ 11th „	*38*	85	—
4½	„ 18th „	*42*	80	—
4	„ 25th „	*45*	79	—
3½	„ 1st September ...	*46*	72	—
3	„ 15th „ ...	*51*	59	—
2½	„ 29th „ ...	*55*	48	—
3	1871 2nd March	*41*	65	—
2½	„ 13th April	*43*	58	—
2½	„ 15th June	*59*	38	—
2	„ 13th July	*51*	74	—
3	„ 21st September ...	*50*	49	—

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TABLE XVII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to the Dates

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
4	1871 28th September...	*37*	70	—
5	,, 7th October	*32*	—	91
4	,, 16th November...	*49*	83	—
3½	,, 30th ,, ...	*52*	62	—
3	,, 14th December ...	*54*	47	—
3½	1872 4th April	*35*	60	—
4	,, 11th ,, ...	*33*	80	—
5	,, 9th May	*33*	75	—
4	,, 30th ,, ...	*40*	58	—
3½	,, 13th June	*45*	47	—
3	,, 20th ,, ...	*46*	45	—
3½	,, 18th July	*41*	70	—
4	,, 18th September...	*39*	69	—
4½	,, 26th ,, ...	*37*	71	—
5	,, 3rd October	*32*	79	—
6	,, 10th ,, ...	*32*	93	—
7	,, 9th November...	*35*	70	—
6	,, 28th ,, ...	*46*	63	—
5	,, 12th December ...	*50*	55	—
4½	1873 9th January.....	*49*	68	—
4	,, 23rd ,, ...	*53*	50	—
3½	,, 30th ,, ...	*54*	46	—
4	,, 26th March	*38*	54	—
4½	,, 8th May	*33*	73	—
5	,, 10th ,, ...	*33*	73	—
6	,, 17th ,, ...	*32*	76	—
7	,, 4th June	*32*	74	—
6	,, 12th ,, ...	*36*	66	—
5	,, 10th July	*43*	83	—
4½	,, 17th ,, ...	*46*	74	—
4	,, 24th ,, ...	*49*	71	—
3½	,, 31st ,, ...	*50*	63	—
3	,, 21st August	*53*	62	—
4	,, 25th September...	*44*	80	—
5	,, 29th ,, ...	*34*	—	94
6	,, 14th October	*31*	—	83
7	,, 18th ,, ...	*31*	—	83
8	,, 1st November...	*37*	96	—
9	,, 7th ,, ...	*35*	—	90
8	,, 20th ,, ...	*41*	93	—
6	,, 27th ,, ...	*46*	80	—
5	,, 4th December ...	*45*	79	—
4½	,, 11th ,, ...	*48*	70	—
4	1874 8th January.....	*43*	90	—
3½	,, 15th ,, ...	*46*	84	—
4	,, 30th April	*31*	73	—
3½	,, 28th May	*43*	69	—
3	,, 4th June	*44*	64	—

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TABLE XVII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Dates.

Bank Rate.	Date.		Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
2½	1874	18th June	48	63	—
3	„	30th July	47	75	—
4	„	6th August	41	84	—
3½	„	20th „	47	76	—
3	„	27th „	48	77	—
4	„	15th October	36	—	85
5	„	16th November ...	40	90	—
6	„	30th „ ...	41	87	—
5	1875	7th January	40	98	—
4	„	14th „	45	85	—
3	„	28th „	50	82	—
3½	„	18th February ...	41	80	—
3	„	8th July	42	—	95
2½	„	29th „	51	95	—
2	„	12th August	52	89	—
2½	„	7th October	39	—	93
3½	„	14th „	35	—	79
4	„	21st „	36	—	85
3	„	18th November ...	43	94	—
4	„	30th December ...	33	—	97
5	1876	6th January	29	97	—
4	„	27th „	43	83	—
3½	„	23rd March	46	64	—
3	„	6th April	45	71	—
2	„	20th „	48	89	—
3	1877	3rd May	37	82	—
2½	„	5th July	42	82	—
2	„	12th „	46	87	—
3	„	28th August	44	81	—
4	„	4th October	37	91	—
5	„	11th „	35	94	—
4	„	29th November ...	47	83	—
3	1878	9th January	40	—	—
2	„	30th „	44	—	—
3	„	27th March	33	—	—
2½	„	29th May	40	—	—
3	„	26th June	36	—	—
3½	„	3rd July	31	—	—
4	„	31st „	34	—	—
5	„	12th August	36	—	—
6	„	14th October	28	—	—
5	„	20th November ...	41	—	—

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TABLE XVIII.—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND TO LIABILITIES, AND OF THE BALANCES OF LONDON BANKERS TO THE RESERVE ON THE NEAREST DATE GIVEN TO EVERY CHANGE IN THE RATE OF INTEREST, FROM 5TH SEPTEMBER, 1844, TO 31ST DECEMBER, 1878. Arranged from the Highest Proportion of the Reserve to the Lowest.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
10	1866 12th May	29	86	—
„	1857 9th November ...	7	—	30
9	1864 8th September...	35	69	—
„	1873 7th November ...	35	—	90
„	1866 11th May	29	86	—
„	1864 5th „	28	66	—
„	1857 5th November...	15	—	80
8	1873 20th „ ...	41	93	—
„	1864 10th „ ...	40	85	—
„	1873 1st „ ...	37	96	—
„	1861 14th February ...	36	55	—
„	1857 24th December ...	34	78	—
„	1864 20th January.....	33	61	—
„	„ 19th May	33	71	—
„	1863 3rd December ...	32	68	—
„	1864 4th August	29	85	—
„	1866 8th May	29	86	—
„	1864 2nd „	28	66	—
„	1866 4th January.....	26	—	97
„	1857 19th October	24	90	—
„	1866 16th August	21	—	69
„	1847 25th October	13	84	—
7	1864 24th November ...	45	70	—
„	1866 22nd February ...	45	57	—
„	1861 21st March	41	44	—
„	1863 24th December ...	39	49	—
„	1864 11th February ...	38	47	—
„	„ 26th May	37	64	—
„	1872 9th November ...	35	70	—
„	1865 28th December ...	34	65	—
„	1863 2nd December ...	32	68	—
„	1864 16th April	32	75	—
„	1873 4th June	32	74	—
„	1861 7th January.....	31	98	—
„	1864 25th July	31	77	—
„	1873 18th October	31	—	83
„	1847 22nd November...	30	36	—
„	1866 3rd May	30	89	—
„	1855 18th October	29	52	—
„	1856 9th October	21	67	—
„	1865 7th „	24	86	—
„	1866 23rd August	24	—	68
„	1857 15th October	23	89	—
6½	1856 4th December ...	35	47	—
„	1857 2nd April	33	60	—
6	1864 15th December ...	48	50	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
6	1872 28th November ...	46	63	—
„	1873 27th „ ...	46	80	—
„	1866 15th March	45	51	—
„	1864 25th February ...	43	47	—
„	1865 23rd November ...	43	57	—
„	1874 30th „ ...	41	87	—
„	1864 16th June	40	54	—
„	1857 18th „	38	38	—
„	1861 4th April	38	51	—
„	1856 18th December ...	37	39	—
„	1860 15th November ...	37	55	—
„	1847 2nd December ...	36	27	—
„	1856 22nd May	36	75	—
„	1861 16th „	36	53	—
„	1873 12th June	36	66	—
„	1870 4th August	34	85	—
„	1858 7th January.....	33	84	—
„	1872 10th October	32	93	—
„	1873 17th May	32	76	—
„	1860 31st December ...	31	59	—
„	1863 5th November ...	31	72	—
„	1873 14th October	31	—	83
„	1866 30th August	30	—	87
„	1878 14th October	28	—	—
„	1847 30th September ...	26	23	—
„	1857 8th October	24	56	—
„	1865 5th „	24	82	—
5½	1857 16th July	42	55	—
„	1865 12th January.....	39	83	—
„	1870 11th August	38	85	—
„	1854 11th May	37	43	—
„	1847 5th August	36	24	—
„	1855 4th October.....	32	45	—
5	1872 12th December ...	50	55	—
„	1854 3rd August	49	33	—
„	1847 23rd December ...	46	17	—
„	1873 4th „ ...	45	79	—
„	1865 26th January.....	44	62	—
„	1873 10th July	43	83	—
„	1856 29th May	41	51	—
„	1860 29th November ...	41	59	—
„	1878 20th „ ...	41	—	—
„	1861 11th April	40	69	—
„	1863 28th January.....	40	52	—
„	1874 16th November ...	40	90	—
„	1875 7th January.....	40	98	—
„	1861 1st August	39	61	—
„	1860 13th November ...	37	55	—
„	1863 2nd „ ...	36	76	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
5	1870 28th July	*36*	80	—
„	1878 12th August	*36*	—	—
„	1858 14th January.....	*35*	—	80
„	1877 11th October	*35*	94	—
„	1853 29th September...	*34*	37	—
„	1873 29th „ ...	*34*	—	94
„	1855 27th „ ...	*33*	43	—
„	1872 9th May	*33*	75	—
„	1873 10th „	*33*	73	—
„	1871 7th October	*32*	—	91
„	1872 3rd „	*32*	79	—
„	1866 6th September...	*30*	—	96
„	1876 6th January.....	*29*	97	—
„	1860 12th April	*26*	75	—
„	1865 2nd October	*24*	82	—
„	1856 2nd October	*23*	67	—
„	1847 8th April	*20*	74	—
4½	1860 8th November...	*80*	66	—
„	1855 5th April	*50*	35	—
„	1856 26th June	*49*	34	—
„	1873 9th January.....	*49*	68	—
„	„ 11th December ...	*48*	70	—
„	„ 17th July	*46*	74	—
„	1865 3rd March	*44*	53	—
„	1859 5th May	*42*	55	—
„	1861 15th August	*42*	58	—
„	1870 18th „	*42*	80	—
„	1853 15th September...	*40*	27	—
„	1855 13th „ ...	*40*	30	—
„	1860 10th May	*38*	49	—
„	1872 26th September...	*37*	71	—
„	1865 4th May	*36*	65	—
„	1866 27th September...	*36*	77	—
„	1860 29th March	*35*	35	—
„	1869 6th May	*35*	68	—
„	1865 28th September...	*33*	68	—
„	1873 8th May	*33*	73	—
4	1873 23rd January.....	*53*	50	—
„	1848 27th „	*52*	44	—
„	1855 3rd May	*52*	37	—
„	1871 16th November...	*49*	83	—
„	1873 24th July	*49*	71	—
„	1853 1st September...	*47*	21	—
„	1877 29th November...	*47*	83	—
„	1858 28th January.....	*46*	86	—
„	1861 29th August	*46*	60	—
„	1863 19th February ...	*46*	45	—
„	1870 25th August	*45*	79	—
„	1875 14th January.....	*45*	85	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
4	1873 25th September...	44	80	—
„	1869 10th June	44	65	—
„	1847 21st January.....	43	23	—
„	1860 24th May	43	47	—
„	1870 23rd July	43	66	—
„	1874 8th January.....	43	90	—
„	1876 27th „	43	83	—
„	1865 30th March	42	47	—
„	1855 6th September...	41	38	—
„	1865 25th May	41	54	—
„	1874 6th August	41	84	—
„	1872 30th May	40	58	—
„	1863 15th January.....	39	69	—
„	1872 18th September...	39	69	—
„	1863 21st May	38	53	—
„	1866 8th November...	38	75	—
„	1873 26th March	38	54	—
„	1860 31st January.....	37	45	—
„	1871 28th September...	37	70	—
„	1877 4th October	37	91	—
„	1874 15th „	36	—	85
„	1875 21st „	36	—	85
„	1869 1st April.....	34	69	—
„	1878 31st July	34	—	—
„	1872 11th April	33	80	—
„	1875 30th December ...	33	—	97
„	1874 30th April	31	73	—
„	1865 3rd August	26	78	—
3½	1848 15th June	63	16	—
„	1855 14th „	63	30	—
„	1873 30th January.....	54	46	—
„	1871 30th November...	52	62	—
„	1873 31st July	50	63	—
„	1861 19th September...	48	52	—
„	1869 24th June	48	53	—
„	1853 2nd „	47	27	—
„	1858 4th February ...	47	76	—
„	1859 28th April	47	46	—
„	1874 20th August	47	76	—
„	1859 2nd June	46	59	—
„	1870 1st September...	46	72	—
„	1874 15th January.....	46	84	—
„	1876 23rd March	46	64	—
„	1872 13th June	45	47	—
„	1847 14th January.....	44	19	—
„	1866 20th December ...	44	50	—
„	1863 23rd April	43	62	—
„	1870 21st July	43	66	—
„	1874 28th May	43	69	—
„	1863 16th „	41	49	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
3½	1865 1st June	*41*	56	—
„	1872 18th July	*41*	70	—
„	1875 18th February ...	*41*	80	—
„	1845 6th November ...	*38*	22	—
„	1872 4th April	*35*	60	—
„	1865 27th July	*33*	81	—
„	1875 14th October	*35*	—	79
„	1878 3rd July	*31*	—	—
				—
3	1848 2nd November ...	*61*	33	—
„	1846 27th August	*58*	19	—
„	1871 14th December ...	*54*	47	—
„	1858 11th February ...	*53*	63	—
„	1873 21st August	*53*	62	—
„	1870 15th September ...	*51*	59	—
„	1871 21st „ ...	*50*	49	—
„	1875 28th January.....	*50*	82	—
„	1853 20th „	*49*	24	—
„	1850 26th December ...	*48*	11	—
„	1874 27th August	*48*	77	—
„	1859 9th June	*47*	52	—
„	1862 22nd May	*47*	48	—
„	1874 30th July	*47*	75	—
„	1872 20th June	*46*	45	—
„	1867 7th February ...	*45*	63	—
„	1876 6th April	*45*	71	—
„	1865 15th June	*44*	46	—
„	1869 15th July	*44*	69	—
„	1869 4th November ...	*44*	57	—
„	1874 4th June	*44*	64	—
„	1877 28th August	*44*	81	—
„	1861 7th November...	*43*	62	—
„	1863 30th April	*43*	46	—
„	1875 18th November ...	*43*	94	—
„	1875 8th July	*42*	—	95
„	1871 2nd March	*41*	65	—
„	1860 19th January.....	*40*	54	—
„	1878 9th „	*40*	—	—
„	1862 30th October	*39*	65	—
„	1868 3rd December ...	*39*	64	—
„	1845 16th October	*38*	42	—
„	1877 3rd May	*37*	82	—
„	1878 26th June	*36*	—	—
„	„ 27th March	*33*	—	—
				—
2½	1844 5th September...	*68*	11	—
„	1849 22nd November ...	*66*	13	—
„	1852 1st January.....	*61*	12	—
„	1858 9th December ...	*60*	26	—
„	1869 19th August	*55*	55	—
„	1870 29th September...	*55*	48	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
2½	1875 29th July	*51*	95	—
„	1853 6th January.....	*48*	35	—
„	1859 14th July	*48*	57	—
„	1874 18th June	*48*	63	—
„	1867 30th May	*47*	49	—
„	1862 9th January.....	*44*	71	—
„	1871 13th April	*43*	58	—
„	1862 10th July	*42*	69	—
„	1877 5th „	*42*	82	—
„	1868 19th November ...	*40*	61	—
„	1878 29th May	*40*	—	—
„	1875 7th October	*39*	—	93
2¼	1871 15th June	*59*	38	—
2	1852 22nd April	*64*	40	—
„	1867 25th July	*53*	64	—
„	1875 12th August	*52*	89	—
„	1871 13th July	*51*	74	—
„	1876 20th April	*48*	89	—
„	1877 12th July	*46*	87	—
„	1862 24th „	*45*	68	—
„	1878 30th January.....	*44*	—	—

Prior to 31st October, 1857, the returns of the Bank of England were dated to Saturday, subsequent to that date to Wednesday.

GENERAL AVERAGES OF PRECEDING TABLES.

Bank Rate.	Times Changed.	Average Proportion per Cent. of Reserve to Liabilities.	Average Proportion per Cent. of London Bankers' Balances to Reserve.
10	2	*18*	86
9	5	*28*	73
8	15	*30*	78
7	21	*32*	67
6½	2	*29*	53
6	28	*36*	61
5½	6	*37*	56
5	33	*36*	67
4½	20	*43*	58
4	40	*56*	64
3½	30	*45*	56
3	35	*45*	57
2½	18	*50*	50
2¼	1	*59*	38
2	8	*50*	73
Number of changes in rate	264	—	—

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CHAPTER XV.

CONCLUSION.

THERE are several other points in the statements contained in this volume which may be indicated, though they cannot be followed out further. For instance, it will be found that the amount of the bankers' balances with the Bank of England on the second return in each half-year, that is to say, the second return in the months of January and July, is considerably above the total average of each year, and there is a very marked augmentation in these amounts during the later compared with the earlier years included in the returns. This periodic fluctuation is undoubtedly connected with the payments of the dividends on the funds, and on other fixed securities, and a similar though smaller fluctuation is observable at the corresponding dates in April and October. This increase is probably due to larger amounts of stock held as reserve by the banks of the country generally, and also to larger amounts of dividends received on account of customers. We must bear in mind that the years from 1844 to 1878 have witnessed a very large increase indeed in the business of

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banking in the United Kingdom. Many persons have accounts with a bank now, who—or their predecessors in similar positions in life—would not have had banking accounts at the earlier date. The increase on the dates mentioned marks this alteration in the habits of the country, and is interesting on that account.

This point is mentioned, among others, which a careful investigation of the returns relating to the Bank of England will enable the reader to trace. Many matters connected with the conduct of business, many incidents in the transactions of the day which have influenced the adoption of a particular rate on a given occasion, cannot be recorded in the returns from which the figures in this statement have been condensed. We have in this shape but the dry bones, so to speak, of events, all-important at the time to the well-being of the country; but it is hoped that this analysis will be of service in assisting us to thread the history of the past, and may also be of some use in enabling us to see what is needed at the present time.

The subject which was proposed to be investigated in preparing this statement, was the relation of the reserve to the current rate of interest charged. A study of this analysis shows the truth of the usual conclusion, that the rates of discount charged by the Bank of England are regulated more by the proportion of the reserve to liabilities than by any other consideration. That the amount of the bankers' balances, and the proportion they bear to the reserve, may have a bearing on the rates charged is very probable, though their influence is not clearly marked in the tables. The state of the foreign exchanges, quoted for the great European centres of business—Paris, Amsterdam, Hamburgh, and, we must now add, Frankfort and Berlin, as representative of Germany —influences the Bank rate very greatly, though this does not show so much on the surface, as an unfavourable exchange is accompanied by an outflow of bullion, and hence by an immediate diminution of the reserve. It is well known that the directors of the Bank, when fixing the rate to be charged, take the state of the foreign ex-

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changes into careful consideration. The Bank possesses still, though other powerful banking institutions have grown up round it, and appear at first sight to overpower it, so strong an influence over our money market that by setting the rate high enough it can always control the foreign exchanges; hence foreign exchanges generally appear to follow, rather than to lead, the Bank of England rate of discount. No correspondence whatever can be traced between the amount of notes issued and the rate of interest charged. Nor does any other branch of business conducted by the Bank appear to affect it in any way. The proportion of the reserve to the liabilities is the cardinal point on which the rate of interest charged by the Bank turns.

We may observe in this fact a remarkable and exact instance of the operation of one of the principal laws of economic science—the law of demand and supply. The rate of interest generally, as Mr. Ricardo has stated in his "Principles of Political Economy," "is regulated by the rate of profits which can be made by the employment of capital."*

Mr. Ricardo adds, what is equally obvious: "The rate of interest, though ultimately and permanently governed by the rate of profit, is, however, subject to temporary variations from other causes."† A diminished or increased demand is chief among these, and the extent of these temporary variations is best exhibited in the position of the Bank of England reserve, from the fact that the Bank of England also holds the reserve of the other banks in the country. Within the period over which the investigation extends, the amount of money in the country generally has enormously increased. The gold in circulation is nearly three times the amount it was some thirty years ago. Yet, while the amount of deposits held by the banks of the country —that is to say, of loanable capital—has also been greatly increased, we have far more frequent and rapid

* Page 220, edition 1852.

† Page 179.

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variations in the Bank rate of interest, and often also a higher rate.

The explanation of this is that the total amount held in reserve has not increased in a like proportion with the demands which may be made on the reserve; meanwhile, from the altered character of that reserve, there is a greater liability to sudden demands, owing to the vast increase in banking deposits in the United Kingdom during the last five-and-twenty years.

Mr. Newmarch estimated these deposits in 1851 at 260 millions; to which may be added for foreign and colonial banks 25 millions, an aggregate of something like 300 millions. The corresponding figures at the present time are probably between 650 and 700 millions.

This very great increase in the amounts held on deposit during the last five-and-twenty years may at any moment give occasion for a very considerable demand on the banking reserve. The reserve held by the Bank itself is now somewhat smaller in proportion to its own liabilities than it was in the earlier years over which this survey extends. Meanwhile, the general banking liabilities of the country have enormously increased.

To throw the whole of the duty of maintaining an adequate reserve on the Bank of England is obviously unfair, yet this is the tendency of business in recent years. The keeping a larger supply of unused money would also undoubtedly tend to more equable rates, which would be of great advantage to the commerce of the country. Yet we do not seem nearer to the attainment of a really sufficient reserve than we were when the Bank Act of 1844 was passed. To provide a compulsory amount of reserve by legal enactment would be undesirable, but the object might be arranged without difficulty if an agreement on the subject by the principal banks of the country could be attained.

It is not, in any time of pressure, the amount of capital in the country which is taken into account, or which governs the immediate price of money. It is

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not the amount in circulation. It is the actual amount of reserve in hand at the time which decides the stability of the money market. Many exceptional causes, it will be said, have led to the recent fluctuations in the money market, to the vast number of changes in the rate of interest in recent years. But with the immensely extended commerce now carried on by this country, such causes, or similar causes, will be certain continually to manifest themselves, and the only safe course is to be prepared to meet them. To do this we must be prepared to increase the amount of "unused" capital in the country, now so exceedingly small. It is most desirable that proper steps should be taken for the attainment of this, which is essential to the security of banking in this country. It is hoped that the preceding pages may assist to throw some light on the present bearings of this important question. In banking, the only secure position is that of strength, and that strength is connected most closely with the maintenance of an adequate reserve.

THE END.

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
6	1872 28th November ...	46	63	—
„	1873 27th „ ...	46	80	—
„	1866 15th March	45	51	—
„	1864 25th February ...	43	47	—
„	1865 23rd November ...	43	57	—
„	1874 30th „ ...	41	87	—
„	1864 16th June	40	54	—
„	1857 18th „	38	38	—
„	1861 4th April	38	51	—
„	1856 18th December ...	37	39	—
„	1860 15th November ...	37	55	—
„	1847 2nd December ...	36	27	—
„	1856 22nd May	36	75	—
„	1861 16th „	36	53	—
„	1873 12th June	36	66	—
„	1870 4th August	34	85	—
„	1858 7th January.....	33	84	—
„	1872 10th October	32	93	—
„	1873 17th May	32	76	—
„	1860 31st December ...	31	59	—
„	1863 5th November ...	31	72	—
„	1873 14th October	31	—	83
„	1866 30th August	30	—	87
„	1878 14th October	28	—	—
„	1847 30th September...	26	23	—
„	1857 8th October	24	56	—
„	1865 5th „	24	82	—
5½	1857 16th July	42	55	—
„	1865 12th January.....	39	83	—
„	1870 11th August	38	85	—
„	1854 11th May	37	43	—
„	1847 5th August	36	24	—
„	1855 4th October.....	32	45	—
5	1872 12th December ...	50	55	—
„	1854 3rd August	49	33	—
„	1847 23rd December ...	46	17	—
„	1873 4th „ ...	45	79	—
„	1865 26th January.....	44	62	—
„	1873 10th July	43	83	—
„	1856 29th May	41	51	—
„	1860 29th November ...	41	59	—
„	1878 20th „ ...	41	—	—
„	1861 11th April	40	69	—
„	1863 28th January.....	40	52	—
„	1874 16th November ...	40	90	—
„	1875 7th January.....	40	98	—
„	1861 1st August	39	61	—
„	1860 13th November ...	37	55	—
„	1863 2nd „ ...	36	76	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
5	1870 28th July	*36*	80	—
„	1878 12th August	*36*	—	—
„	1858 14th January.....	*35*	—	80
„	1877 11th October	*35*	94	—
„	1853 29th September...	*34*	37	—
„	1873 29th „ ...	*34*	—	94
„	1855 27th „ ...	*33*	43	—
„	1872 9th May	*33*	75	—
„	1873 10th „	*33*	73	—
„	1871 7th October	*32*	—	91
„	1872 3rd „	*32*	79	—
„	1866 6th September...	*30*	—	96
„	1876 6th January.....	*29*	97	—
„	1860 12th April	*26*	75	—
„	1865 2nd October	*24*	82	—
„	1856 2nd October	*23*	67	—
„	1847 8th April	*20*	74	—
4½	1860 8th November...	*80*	66	—
„	1855 5th April	*50*	35	—
„	1856 26th June	*49*	34	—
„	1873 9th January.....	*49*	68	—
„	„ 11th December ...	*48*	70	—
„	„ 17th July	*46*	74	—
„	1865 3rd March	*44*	53	—
„	1859 5th May	*42*	55	—
„	1861 15th August	*42*	58	—
„	1870 18th „	*42*	80	—
„	1853 15th September...	*40*	27	—
„	1855 13th „ ...	*40*	30	—
„	1860 10th May	*38*	49	—
„	1872 26th September...	*37*	71	—
„	1865 4th May	*36*	65	—
„	1866 27th September...	*36*	77	—
„	1860 29th March	*35*	35	—
„	1869 6th May	*35*	68	—
„	1865 28th September...	*33*	68	—
„	1873 8th May	*33*	73	—
4	1873 23rd January.....	*53*	50	—
„	1848 27th „	*52*	44	—
„	1855 3rd May	*52*	37	—
„	1871 16th November...	*49*	83	—
„	1873 24th July	*49*	71	—
„	1853 1st September...	*47*	21	—
„	1877 29th November...	*47*	83	—
„	1858 28th January.....	*46*	86	—
„	1861 29th August	*46*	60	—
„	1863 19th February ...	*46*	45	—
„	1870 25th August	*45*	79	—
„	1875 14th January.....	*45*	85	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
4	1873 25th September...	44	80	—
„	1869 10th June	44	65	—
„	1847 21st January	43	23	—
„	1860 24th May	43	47	—
„	1870 23rd July	43	66	—
„	1874 8th January	43	90	—
„	1876 27th „	43	83	—
„	1865 30th March	42	47	—
„	1855 6th September...	41	38	—
„	1865 25th May	41	54	—
„	1874 6th August	41	84	—
„	1872 30th May	40	58	—
„	1863 15th January.....	39	69	—
„	1872 18th September...	39	69	—
„	1863 21st May	38	53	—
„	1866 8th November ...	38	75	—
„	1873 26th March	38	54	—
„	1860 31st January	37	45	—
„	1871 28th September...	37	70	—
„	1877 4th October	37	91	—
„	1874 15th „	36	—	85
„	1875 21st „	36	—	85
„	1869 1st April.....	34	69	—
„	1878 31st July	34	—	—
„	1872 11th April	33	80	—
„	1875 30th December ...	33	—	97
„	1874 30th April	31	73	—
„	1865 3rd August	26	78	—
3½	1848 15th June	63	16	—
„	1855 14th „	63	30	—
„	1873 30th January.....	54	46	—
„	1871 30th November ...	52	62	—
„	1873 31st July	50	63	—
„	1861 19th September...	48	52	—
„	1869 24th June	48	53	—
„	1853 2nd „	47	27	—
„	1858 4th February ...	47	76	—
„	1859 28th April	47	46	—
„	1874 20th August	47	76	—
„	1859 2nd June	46	59	—
„	1870 1st September...	46	72	—
„	1874 15th January.....	46	84	—
„	1876 23rd March	46	64	—
„	1872 13th June	45	47	—
„	1847 14th January.....	44	19	—
„	1866 20th December ...	44	50	—
„	1863 23rd April	43	62	—
„	1870 21st July	43	66	—
„	1874 28th May	43	69	—
„	1863 16th „	41	49	—

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TABLE XVIII. *Continued.*—Proportions of the Reserve of the Bank of England, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
3½	1865 1st June	*41*	56	—
„	1872 18th July	*41*	70	—
„	1875 18th February ...	*41*	80	—
„	1845 6th November ...	*38*	22	—
„	1872 4th April	*35*	60	—
„	1865 27th July	*33*	81	—
„	1875 14th October	*35*	—	79
„	1878 3rd July	*31*	—	—
				—
3	1848 2nd November ...	*61*	33	—
„	1846 27th August	*58*	19	—
„	1871 14th December ...	*54*	47	—
„	1858 11th February ...	*53*	63	—
„	1873 21st August	*53*	62	—
„	1870 15th September ...	*51*	59	—
„	1871 21st „ ...	*50*	49	—
„	1875 28th January	*50*	82	—
„	1853 20th „	*49*	24	—
„	1850 26th December ...	*48*	11	—
„	1874 27th August	*48*	77	—
„	1859 9th June	*47*	52	—
„	1862 22nd May	*47*	48	—
„	1874 30th July	*47*	75	—
„	1872 20th June	*46*	45	—
„	1867 7th February ...	*45*	63	—
„	1876 6th April	*45*	71	—
„	1865 15th June	*44*	46	—
„	1869 15th July	*44*	69	—
„	1869 4th November ...	*44*	57	—
„	1874 4th June	*44*	64	—
„	1877 28th August	*44*	81	—
„	1861 7th November ...	*43*	62	—
„	1863 30th April	*43*	46	—
„	1875 18th November ...	*43*	94	—
„	1875 8th July	*42*	—	95
„	1871 2nd March	*41*	65	—
„	1860 19th January	*40*	54	—
„	1878 9th „	*40*	—	—
„	1862 30th October	*39*	65	—
„	1868 3rd December ...	*39*	64	—
„	1845 16th October	*38*	42	—
„	1877 3rd May	*37*	82	—
„	1878 26th June	*36*	—	—
„	„ 27th March	*33*	—	—
				—
2½	1844 5th September ...	*68*	11	—
„	1849 22nd November ...	*66*	13	—
„	1852 1st January	*61*	12	—
„	1858 9th December ...	*60*	26	—
„	1869 19th August	*55*	55	—
„	1870 29th September ...	*55*	48	—

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TABLE XVIII. *Continued.*—PROPORTIONS OF THE RESERVE OF THE BANK OF ENGLAND, &c. Arranged According to Proportion of Reserve.

Bank Rate.	Date.	Proportion per Cent. of Reserve to Liabilities.	Proportion per Cent. of London Bankers' Balances to Reserve.	Proportion per Cent. of Reserve to London Bankers' Balances.
2½	1875 29th July	*51*	95	—
„	1853 6th January.....	*48*	35	—
„	1859 14th July	*48*	57	—
„	1874 18th June	*48*	63	—
„	1867 30th May	*47*	49	—
„	1862 9th January.....	*44*	71	—
„	1871 13th April	*43*	58	—
„	1862 10th July	*42*	69	—
„	1877 5th „	*42*	82	—
„	1868 19th November...	*40*	61	—
„	1878 29th May	*40*	—	—
„	1875 7th October	*39*	—	93
2½	1871 15th June	*59*	38	—
2	1852 22nd April	*64*	40	—
„	1867 25th July	*53*	64	—
„	1875 12th August	*52*	89	—
„	1871 13th July	*51*	74	—
„	1876 20th April	*48*	89	—
„	1877 12th July	*46*	87	—
„	1862 24th „	*45*	68	—
„	1878 30th January.....	*44*	—	—

Prior to 31st October, 1857, the returns of the Bank of England were dated to Saturday, subsequent to that date to Wednesday.

GENERAL AVERAGES OF PRECEDING TABLES.

Bank Rate.	Times Changed.	Average Proportion per Cent. of Reserve to Liabilities.	Average Proportion per Cent. of London Bankers' Balances to Reserve.
10	2	*18*	86
9	5	*28*	73
8	15	*30*	78
7	21	*32*	67
6½	2	*29*	53
6	28	*36*	61
5½	6	*37*	56
5	33	*36*	67
4½	20	*43*	58
4	40	*56*	64
3½	30	*45*	56
3	35	*45*	57
2½	18	*50*	50
2½	1	*59*	38
2	8	*50*	73
Number of changes in rate	264	—	—

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CHAPTER XV.

CONCLUSION.

THERE are several other points in the statements contained in this volume which may be indicated, though they cannot be followed out further. For instance, it will be found that the amount of the bankers' balances with the Bank of England on the second return in each half-year, that is to say, the second return in the months of January and July, is considerably above the total average of each year, and there is a very marked augmentation in these amounts during the later compared with the earlier years included in the returns. This periodic fluctuation is undoubtedly connected with the payments of the dividends on the funds, and on other fixed securities, and a similar though smaller fluctuation is observable at the corresponding dates in April and October. This increase is probably due to larger amounts of stock held as reserve by the banks of the country generally, and also to larger amounts of dividends received on account of customers. We must bear in mind that the years from 1844 to 1878 have witnessed a very large increase indeed in the business of

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banking in the United Kingdom. Many persons have accounts with a bank now, who—or their predecessors in similar positions in life—would not have had banking accounts at the earlier date. The increase on the dates mentioned marks this alteration in the habits of the country, and is interesting on that account.

This point is mentioned, among others, which a careful investigation of the returns relating to the Bank of England will enable the reader to trace. Many matters connected with the conduct of business, many incidents in the transactions of the day which have influenced the adoption of a particular rate on a given occasion, cannot be recorded in the returns from which the figures in this statement have been condensed. We have in this shape but the dry bones, so to speak, of events, all-important at the time to the well-being of the country; but it is hoped that this analysis will be of service in assisting us to thread the history of the past, and may also be of some use in enabling us to see what is needed at the present time.

The subject which was proposed to be investigated in preparing this statement, was the relation of the reserve to the current rate of interest charged. A study of this analysis shows the truth of the usual conclusion, that the rates of discount charged by the Bank of England are regulated more by the proportion of the reserve to liabilities than by any other consideration. That the amount of the bankers' balances, and the proportion they bear to the reserve, may have a bearing on the rates charged is very probable, though their influence is not clearly marked in the tables. The state of the foreign exchanges, quoted for the great European centres of business—Paris, Amsterdam, Hamburgh, and, we must now add, Frankfort and Berlin, as representative of Germany —influences the Bank rate very greatly, though this does not show so much on the surface, as an unfavourable exchange is accompanied by an outflow of bullion, and hence by an immediate diminution of the reserve. It is well known that the directors of the Bank, when fixing the rate to be charged, take the state of the foreign ex-

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changes into careful consideration. The Bank possesses still, though other powerful banking institutions have grown up round it, and appear at first sight to overpower it, so strong an influence over our money market that by setting the rate high enough it can always control the foreign exchanges; hence foreign exchanges generally appear to follow, rather than to lead, the Bank of England rate of discount. No correspondence whatever can be traced between the amount of notes issued and the rate of interest charged. Nor does any other branch of business conducted by the Bank appear to affect it in any way. The proportion of the reserve to the liabilities is the cardinal point on which the rate of interest charged by the Bank turns.

We may observe in this fact a remarkable and exact instance of the operation of one of the principal laws of economic science—the law of demand and supply. The rate of interest generally, as Mr. Ricardo has stated in his "Principles of Political Economy," "is regulated by the rate of profits which can be made by the employment of capital."*

Mr. Ricardo adds, what is equally obvious: "The rate of interest, though ultimately and permanently governed by the rate of profit, is, however, subject to temporary variations from other causes."† A diminished or increased demand is chief among these, and the extent of these temporary variations is best exhibited in the position of the Bank of England reserve, from the fact that the Bank of England also holds the reserve of the other banks in the country. Within the period over which the investigation extends, the amount of money in the country generally has enormously increased. The gold in circulation is nearly three times the amount it was some thirty years ago. Yet, while the amount of deposits held by the banks of the country —that is to say, of loanable capital—has also been greatly increased, we have far more frequent and rapid

* Page 220, edition 1852.

† Page 179.

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variations in the Bank rate of interest, and often also a higher rate.

The explanation of this is that the total amount held in reserve has not increased in a like proportion with the demands which may be made on the reserve; meanwhile, from the altered character of that reserve, there is a greater liability to sudden demands, owing to the vast increase in banking deposits in the United Kingdom during the last five-and-twenty years.

Mr. Newmarch estimated these deposits in 1851 at 260 millions; to which may be added for foreign and colonial banks 25 millions, an aggregate of something like 300 millions. The corresponding figures at the present time are probably between 650 and 700 millions.

This very great increase in the amounts held on deposit during the last five-and-twenty years may at any moment give occasion for a very considerable demand on the banking reserve. The reserve held by the Bank itself is now somewhat smaller in proportion to its own liabilities than it was in the earlier years over which this survey extends. Meanwhile, the general banking liabilities of the country have enormously increased.

To throw the whole of the duty of maintaining an adequate reserve on the Bank of England is obviously unfair, yet this is the tendency of business in recent years. The keeping a larger supply of unused money would also undoubtedly tend to more equable rates, which would be of great advantage to the commerce of the country. Yet we do not seem nearer to the attainment of a really sufficient reserve than we were when the Bank Act of 1844 was passed. To provide a compulsory amount of reserve by legal enactment would be undesirable, but the object might be arranged without difficulty if an agreement on the subject by the principal banks of the country could be attained.

It is not, in any time of pressure, the amount of capital in the country which is taken into account, or which governs the immediate price of money. It is

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not the amount in circulation. It is the actual amount of reserve in hand at the time which decides the stability of the money market. Many exceptional causes, it will be said, have led to the recent fluctuations in the money market, to the vast number of changes in the rate of interest in recent years. But with the immensely extended commerce now carried on by this country, such causes, or similar causes, will be certain continually to manifest themselves, and the only safe course is to be prepared to meet them. To do this we must be prepared to increase the amount of "unused" capital in the country, now so exceedingly small. It is most desirable that proper steps should be taken for the attainment of this, which is essential to the security of banking in this country. It is hoped that the preceding pages may assist to throw some light on the present bearings of this important question. In banking, the only secure position is that of strength, and that strength is connected most closely with the maintenance of an adequate reserve.

THE END.

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INDEX.

	PAGE.
Allowance of Interest on Deposits	51
Alterations in Currency, Effect of on Money Markets	4
Analysis of Transactions of the Bank of England (Table)	6–11
Average Bank Rate in Certain Periods	54, 55
Bank of England, Weekly Parliamentary Returns	1
— Safeguard in Publicity	3
— The Business Centre	4
— Analysis of Transactions of, Table...	6–11
— Capital, Deposits, and Reserve	12
— London Bankers' Balances	14, 16–18, 33, 40
— Opinion of Mr. H. H. Gibbs...	41
— Liabilities and Reserve, Table of	20–32
— Change Regarding Rate of Discount in 1878 ...	44
— Rate of Discount Previous to Act 1844	44
— System in Force since 1844	45
— Rate of Discount, Less a Guide than Formerly ...	48
— — Not Bound by Own Rate ...	49
— — Importance of a Standard ...	51
— — How Regulated	138
— — Causes which Influence ...	54
— — Higher in Recent Years ...	69
— — Fluctuations — ...	67, 70
— — Greater Care Essential	72
— — Table of Rate	74
— — Need of Large Reserve ...	140
— Number of Changes in Rate	78
— Bills Discounted and Temporary Advances	111–115
— Note Circulation	116, 120
— Bullion Held	117
— Silver Bullion	118
— Proportion of Reserve to Deposits and Bankers' Balances	121
— — Rate of Discount, Monthly Average	74
Bank of France, Variations in Rate of Discount	80
— Organisation of...	81
— Changes in Rate	92
— Management of	82
Bank of Germany, Variations in Rate	94
— Monthly Rate of Discount	98
— Number of Changes in Rate	102

Digitized by Google

	Page.
Banking in France, Differing from England	84
Bank Post Bills	6, 12, 13
Bankers' Clearing, Table V., 1868-78	64
Banks, Joint Stock, Independent Action	48
Bankers' Accounts, Suggestions for Weekly or Monthly Publication	39
Bills Discounted, Bank of England	9, 111
Bill Discounting, Severe Competition	47
Bills, Foreign Transactions in	107
Business Most Active in Europe in Fourth Quarter of Year	73
Bullion, Fluctuations in	119
— Held by Bank of England	117
— Silver	118
Capital, Bank of England	12
Causes of Fluctuations in Rate of Discount	71
Changes in Rate of Discount Bank of England, 1844-78	125
Circulation, Scotland	56
Clearing House, Effect on Bankers' Balances	15, 16
Clearing House Committee, Should Fix the Rates for Deposits	51
Clearing House Returns, 1868-78	64
Comparison in Rates, England and France	86
— — England, France, and Germany	103
Conclusion	137
Continental Connection, Money Market	108
Currency, Recent Alterations in	4
Demand for Gold, Causes	56
— Scotland	58
Deposits, Bank of England	12
— Interest on	52
Discount, See "Bank of England Rate of"	
Discounting Bills, Severe Competition	47
Discounts of Bank of England, since 1844	9, 46
— — in 1848, Equal to all Other London Banks	45
Divergence Between Bank and Market Rates Before 1844	45
— Reappearing in 1857	46
Five Per Cent. an Exceptionally High Rate before 1853	69
Fixed Rate of Discount no Longer Exists	47
Fluctuations in Bills Discounted	113
— — Bullion	119
— — Rate of Discount, Causes	70
— — Temporary Advances	114
Foreign Bills	107
Four Per Cent. Bank Rate at and Below Two-thirds the Time since 1844	68
France Bank of, Variations in Rate of Discount	80
— — Monthly Average, Rate of Discount	88
— — Number of Changes in Rate	92
— Bank System of, Differing from English Banking	84
Germany, Bank of, Variations in Rate of Discount	94
— — Description	96
— — Monthly Rate of Discount	98
— — Number of Changes in Rate	102
Government Returns Quoted	1
Influence Bank Rate, Causes which	54
Interest on Deposits, Remarks on	52
Introduction	1
Joint Stock Banks, Independent Action	48

Digitized by Google

PAGE.

Letters between Professor B. Price and Mr. H. H. Gibbs Respecting Bankers' Balances 40
Liabilities Bank of England, Growth of 13
— and Reserve, do., Table of 20–32
London Bankers' Balances 7, 14, 33
— — — Bank of England Views (Mr. Gibbs) ... 40
— — — Effect of Crisis on 18
— — — Exceeding Reserve 34
— — — Safe Custody only 42
— — — Separated from Deposits and Reserve ... 35–38
— — — Should be Kept Separate 41

Margin on Securities Required by Bank of England 115
May and November, Exceptional Demands in 57
Minimum Rates of Discount in England, France, and Germany ... 61
— — at Bank of England Since 1844... ... 74
Money Market, Continental Connection 108
Monthly Averages, Liabilities and Reserve 20
— Rates of Discount in England, France, and Germany 109

Note Circulation, Bank of England 116, 120
— Diminution in 16
In Scotland and Ireland 56, 59
Note Issues, Security for 60

Parliamentary Returns Respecting Bank of England see "Returns"
Proportion of Reserve to Deposits and Bankers' Balances 121
Public Deposits Since 1844 6
Publicity of Information, Bank of England 3
— Banks Reserve 39

Rate of Discount, Bank of England 44
— — Previous to the Act of 1844 ... 45
— — Less a Guide than Formerly ... 48
— — No Longer Bound by 49
— — Importance of a Standard ... 51
— — Table (Four Periods), 1846-77 ... 55
— — Banks of England, France, and Germany 61
— — Variations in 66
— Higher 68
— Care Taken by Bank of England 72
— Comparison, France and England 86
— France Monthly Average, Table VIII. 90
— Germany — Table X. 98
— England, France, and Germany (Comparisons) 103, 109
— Years when no Change of Rate Occurred 105
— How Regulated in England 138
Rate of Interest on Deposits 52
Report, Select Committee on Commercial Distress, 1848 ... ... 1, 2
— — on Bank Acts, 1857 1
Reserve, Bank of England... ... ... 8, 13
— — Less than London Bankers' Balances ... 34
— — Proportion to Liabilities Since 1844 ... 8, 13
— — to Deposits and Bankers' Balances ... 121
Reserves of all Banks should be Published 39
Returns, Bank of England Weekly 1
— — Government... 1
— — to Government for 1876 and 1877 ... 2

Scotland Circulation 56

Digitized by Google

		PAGE.
Scotland Demand for Gold ...	... ...	58
— Security, Note Issue	... ...	60
Scotch Circulation, Withdrawals of Gold Caused by Increase of		... 59
Securities Margin Required	... ...	115
Silver Bullion in the Bank ...	... ...	118
Standard for Bank Rate ...	... ...	51
Table I. Bank of England Analysis...	... ...	6–12
— II. — Liabilities and Reserve	... ...	20
— III. — Weekly Statement Arranged to Show Bankers' Balances	... ...	35
— IV. — Rate of Discount (Four Periods), 1846-77	... ...	61
— V. — Bankers' Clearing	... ...	64
— VI. — Monthly Rate of Discount	... ...	74
— VII. — Number of Changes	... ...	78
— VIII. Bank of France, Monthly Average Rate of Discount	...	88
— IX. — Changes in Rate	... ...	92
— X. Bank of Germany, Monthly Average Rate of Discount		98
— XI. — Number of Changes	... ...	102
— XII. Three Periods, Rate of Discount, England, France, and Germany	... ...	109
— XIII. England, France, and Germany, Number of Changes in Rate of Discount (Comparison)		110
— XIV. Silver Bullion	... ...	118
— XV. Note Circulation, Composition	... ...	120
— XVI. Changes in Rate of Discount, 1877-78, Reserve, Bankers' Balances and Clearing	... ...	124
— XVII. Date of Changes in Rate, 1844-78	... ...	125
Temporary Advances, Bank of England	... ...	111
Three Per Cent. Bank Rate, at and Below, One-half the Time Since 1844	... ...	68
Till Money and Reserve	... ...	16
Unused Money, Necessity for Larger Supply	... ...	108
Weguelin (Mr. T. M.) on Scotch and Irish Coin Withdrawals	...	59

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LONDON: PRINTED BY
COUSINS AND CO., 6, HELMET COURT,
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